

City of Petersburg, Virginia

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

Prepared By:

Department of Finance

CITY OF PETERSBURG, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013

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**CITY OF PETERSBURG, VIRGINIA
CITY COUNCIL AND EXECUTIVE OFFICERS
JUNE 30, 2013**

CITY COUNCIL

Brian Moore Mayor
Horace P. Webb Vice-Mayor
W. Howard Myers Councilman
David R. Coleman Councilman
Triska Wilson-Smith Councilwoman
Kenneth M. Pritchett Councilman
Carl M. Ross Councilman

CONSTITUTIONAL OFFICERS

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

CITY ADMINISTRATION

William E. Johnson, III City Manager
Nykesha D. Jackson Council Clerk
Brian K. Telfair Acting City Attorney
Randolph A. Rush City Assessor
Tami M. Champ-Yerby Director of Parks and Leisure Services
Sharon D. Williams Director of Planning
Wayne Crocker Library Director
Vandy V. Jones, III Manager of Economic Development
Kimberley Willis Miles Director of Social Services
Kevin Kirby Museums Manager
Steven W. Hicks Director of Public Works
Thomas C. Hairston Fire Chief
Claristine Moore Director of Human Resources
John I. Dixon III Chief of Police



Government Finance Officers Association

**Certificate of
Achievement
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**City of Petersburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



CITY OF PETERSBURG

FINANCE DEPARTMENT

CITY HALL ANNEX, 103 W. TABB STREET

PETERSBURG, VIRGINIA 23803

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

December 18, 2013

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, 2013, 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: Management of the City 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 management of the City.

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 City maintains 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. Appropriations, except for encumbrances and reserved fund balances, lapse at year-end. As demonstrated by the financial statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

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 the Petersburg public utilities and the City's bus 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 44,000 and employs approximately 5,200 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 an outpatient cancer treatment center, a nursing school, and a specialty healthcare center, is the largest private employer in the City with over 1,400 employees. SRMC has begun construction of a new medical Arts Building. This project is scheduled for completion in early 2014 and represents an investment of \$10 million.

The City has initiated a proactive economic development program focusing on the attraction of new business, retention of existing businesses, and revival of the City's retail base and the re-use of vacant buildings.

ECONOMIC CONDITION AND OUTLOOK AND FUTURE PROSPECTS: (CONTINUED)

Petersburg continues to experience economic development success throughout the City. Development in the southeast portion of the City is highlighted by the expansions of Poplar Springs Hospital (\$5.8 million) and HealthSouth Surgical Rehabilitation Hospital (\$5 Million). Downtown continues to see an influx of private investment highlighted by the conversions of older commercial and industrial

buildings into mixed use projects with ground floor commercial and upper story residential space. In 2013 three projects, High Street Lofts Phase IV, Cameron Lofts and Star Lofts, added 108 new residential units representing an investment of \$17 million. Restaurants (Neptune's & Croakers Spot) opened in downtown which contributed to a tremendous increase in meals tax revenue.

Visitation to the City is enhanced through participation in Petersburg Area Regional Tourism, exhibits at our museums and events such as the Friday for the Arts, the Farmer's Market, the Dogwood Trace Golf Course, Generals Baseball Team, and various activities held at the Petersburg Sports Complex.

MAJOR INITIATIVES

Public Works: In March 2013 the City implemented Curbside Recycling for the first time in the history of the City.

Education: The City will be completing renovation at Walnut Hill Elementary School in December 2013.

Other: The City issued \$5 million in General Obligation Bonds as its contribution for the building of a new Public Library in partnership with the Library Foundation. Construction is ongoing with an anticipated completion date of February 2014.

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.

The City recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. Individuals in the Finance Department monitor revenues to ensure a careful review of all revenue sources and to provide revenue estimates for budget development.

Management's Discussion and Analysis: GAAP require management 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 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.

OTHER INFORMATION: (CONTINUED)

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, 2012. 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. We believe our current comprehensive annual financial report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

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. We would like to express our appreciation to the staff members of the Department of Finance who had the primary role in the financial report preparation. We also wish to thank the Commissioner of Revenue, the City Treasurer, the City Assessor and their staffs who provided invaluable assistance in the preparation of the report. Finally, we would like to thank the Mayor and members of the City Council for the continued interest and support in planning and conducting the financial operations of the City in a reasonable and responsive manner.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Wm. Carter J.", written in a cursive style.

Finance Department

Independent Auditors' Report

To the Honorable Members of the City Council
City of Petersburg
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 City of Petersburg, Virginia, as of and for the year ended June 30, 2013, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resource and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 5-12, budgetary comparison information, and schedule of pension and OPEB funding progress 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, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Information (Continued)

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 December 13, 2013, 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 City of Petersburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 13, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. 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 of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$68,136,772 (net position).
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$25,089,410, a decrease of \$2,217,393 in comparison with the prior year. Seven percent of this amount (\$1,725,979) is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,725,979 or 1.98 percent of total General Fund expenditures.

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 seven 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 five other governmental funds (Federal and State Projects Fund, Community Development Act 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 exceeded liabilities and deferred inflows by \$68,136,772 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, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 39,048,005	\$ 41,018,685	\$ (4,793,079)	\$ (3,497,178)	\$ 34,254,926	\$ 37,521,507
Capital assets	<u>57,973,378</u>	<u>58,451,418</u>	<u>45,705,653</u>	<u>47,098,866</u>	<u>103,679,031</u>	<u>105,550,284</u>
Total assets	<u>\$ 97,021,383</u>	<u>\$ 99,470,103</u>	<u>\$ 40,912,574</u>	<u>\$ 43,601,688</u>	<u>\$ 137,933,957</u>	<u>\$ 143,071,791</u>
Long-term liabilities						
outstanding	\$ 48,599,188	\$ 43,916,521	\$ 5,026,375	\$ 5,204,450	\$ 53,625,563	\$ 49,120,971
Current liabilities	<u>10,906,996</u>	<u>11,018,786</u>	<u>4,961,189</u>	<u>5,602,335</u>	<u>15,868,185</u>	<u>16,621,121</u>
Total liabilities	<u>\$ 59,506,184</u>	<u>\$ 54,935,307</u>	<u>\$ 9,987,564</u>	<u>\$ 10,806,785</u>	<u>\$ 69,493,748</u>	<u>\$ 65,742,092</u>
Deferred inflows of resources	<u>\$ 303,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,437</u>	<u>\$ -</u>
Net position:						
Net investment in capital						
assets	\$ 18,479,417	\$ 23,120,077	\$ 40,518,560	\$ 41,540,929	\$ 58,997,977	\$ 64,661,006
Restricted	8,699,721	8,371,649	1,334,606	2,198,555	10,034,327	10,570,204
Unrestricted	<u>10,032,624</u>	<u>13,043,070</u>	<u>(10,928,156)</u>	<u>(10,944,581)</u>	<u>(895,532)</u>	<u>2,098,489</u>
Total net position	<u>\$ 37,211,762</u>	<u>\$ 44,534,796</u>	<u>\$ 30,925,010</u>	<u>\$ 32,794,903</u>	<u>\$ 68,136,772</u>	<u>\$ 77,329,699</u>
Total liabilities, deferred inflows and net position	<u>\$ 97,021,383</u>	<u>\$ 99,470,103</u>	<u>\$ 40,912,574</u>	<u>\$ 43,601,688</u>	<u>\$ 137,933,957</u>	<u>\$ 143,071,791</u>

A large part of the City's net position (84%) 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.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, for the City as a whole, and for its governmental activities; however, its business-type activities reports negative unrestricted net position. The City plans to remediate its negative unrestricted net position over time through increases in user fees and transfers from the general government.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities decreased the City's net position by \$6,627,342, while business-type activities decreased net position by \$1,869,893. 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, 2013 and 2012**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,958,523	\$ 3,318,579	\$ 10,375,640	\$ 10,697,284	\$ 14,334,163	\$ 14,015,863
Operating grants and contributions	23,551,967	24,115,067	1,403,671	1,089,908	24,955,638	25,204,975
Capital grants and contributions	1,014,283	763,981	376,333	1,715,254	1,390,616	2,479,235
General revenues:						
General property taxes	33,726,929	34,093,970	-	-	33,726,929	34,093,970
Other local taxes	11,931,952	11,281,505	-	-	11,931,952	11,281,505
Use of money and property	397,947	383,397	6,051	-	403,998	383,397
Commonwealth of Virginia non-categorical aid	4,835,521	4,761,896	-	-	4,835,521	4,761,896
Other general revenues	1,285,606	472,304	-	-	1,285,606	472,304
Total revenues	\$ 80,702,728	\$ 79,190,699	\$ 12,161,695	\$ 13,502,446	\$ 92,864,423	\$ 92,693,146
Expenses:						
General government						
administration	\$ 5,024,964	\$ 4,689,240	-	-	\$ 5,024,964	\$ 4,689,240
Judicial administration	2,329,886	2,166,314	-	-	2,329,886	2,166,314
Public safety	29,534,876	31,073,384	-	-	29,534,876	31,073,384
Public works	13,624,539	15,391,709	-	-	13,624,539	15,391,709
Health and welfare	12,472,778	13,193,886	-	-	12,472,778	13,193,886
Education	11,476,574	9,157,346	-	-	11,476,574	9,157,346
Parks, recreation, and cultural	7,557,488	2,547,419	-	-	7,557,488	2,547,419
Community development	3,277,238	3,304,525	-	-	3,277,238	3,304,525
Interest	1,228,991	1,127,483	-	-	1,228,991	1,127,483
Public Utility	-	-	9,490,563	9,292,960	9,490,563	9,292,960
Mass Transit	-	-	4,233,740	4,442,057	4,233,740	4,442,057
Golf Course	-	-	1,110,021	1,151,540	1,110,021	1,151,540
Total expenses	\$ 86,527,334	\$ 82,651,305	\$ 14,834,324	\$ 14,886,557	\$ 101,361,658	\$ 97,537,863
Increase (decrease) in net position before transfers	\$ (5,824,606)	\$ (3,460,606)	\$ (2,672,629)	\$ (1,384,111)	\$ (8,497,235)	\$ (4,844,717)
Transfers	(802,736)	(499,618)	802,736	499,618	-	-
Increase (decrease) in net position	\$ (6,627,342)	\$ (3,960,224)	\$ (1,869,893)	\$ (884,493)	\$ (8,497,235)	\$ (4,844,717)
Net position, beginning of year, as restated	43,839,104	48,495,020	32,794,903	33,679,396	76,634,007	82,174,416
Net position, end of year	\$ 37,211,762	\$ 44,534,796	\$ 30,925,010	\$ 32,794,903	\$ 68,136,772	\$ 77,329,699

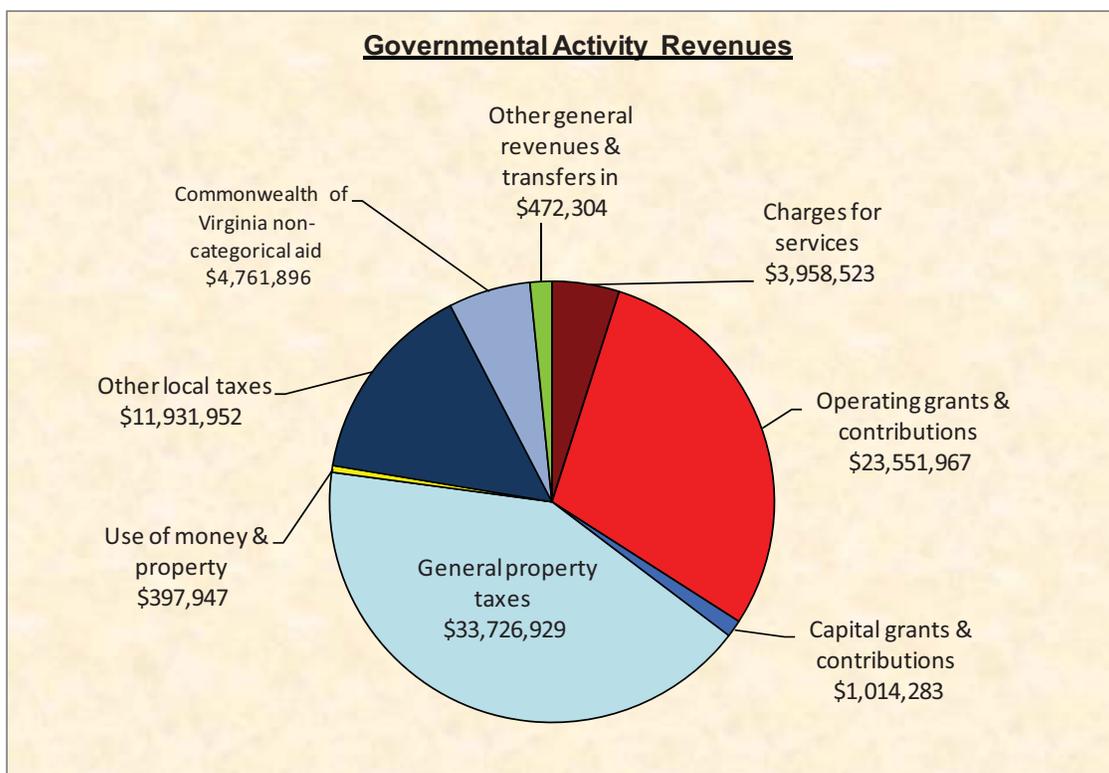
Government-wide Financial Analysis: (Continued)

The City's net position decreased \$8,497,235 during the current fiscal year. This decrease was reflective of a decrease in net position of governmental activities of \$6,627,342 and a decrease of \$1,869,893 in business-type activities. Governmental activity revenues increased from \$79,190,699 to \$80,702,728, an increase of \$1,512,029 or 1.91%. There were several factors which contributed to the increase in revenue to include increase in other local tax revenue of \$650,447 (primarily meals tax) and the sale of real estate. The economic downturn has caused revenues such as general property taxes (\$367,041) and operating grants and contributions (\$563,100) to decline. An increase in charges for services was also noted \$639,944 which consisted primarily of increases in sanitation and waste fees. Governmental expenses increased from \$82,651,305 to \$86,119,594 or \$3,468,289. The primary factor in the increase was the one-time funding to the Petersburg Library Foundation of \$5,000,000 which was used towards construction of a new library in the City. In addition funding for the City's School system increased from \$9,157,346 to \$11,476,574 or \$2,319,228. This funding increase was due to increases in instruction expenditures as well as funding for six new school buses. Key elements of decreases are noted in Public Works \$1,767,170 and Public Safety, \$1,538,508. Public Safety expenses decreased primarily because of the decreased costs in operating the City Jail (\$1,036,462). The Public Works decrease is due to less street maintenance as less paving was performed in FY 13 compared to the prior year. The City increased transfers to business-type activities from \$499,618 to \$802,736. Overall, the City's changes in net position for governmental activities decreased \$6,627,342 during the year.

Net position decreased in the business-type activities by \$1,869,893. The Public Utility Fund's net position decreased by \$912,757, the Mass Transit Fund net position decreased by \$875,545 and the Golf Course decreased by \$81,591. Public Utility connection fee revenue decreased from \$2,116,921 to \$522,826 and was the primary contributor to the decline in net position.

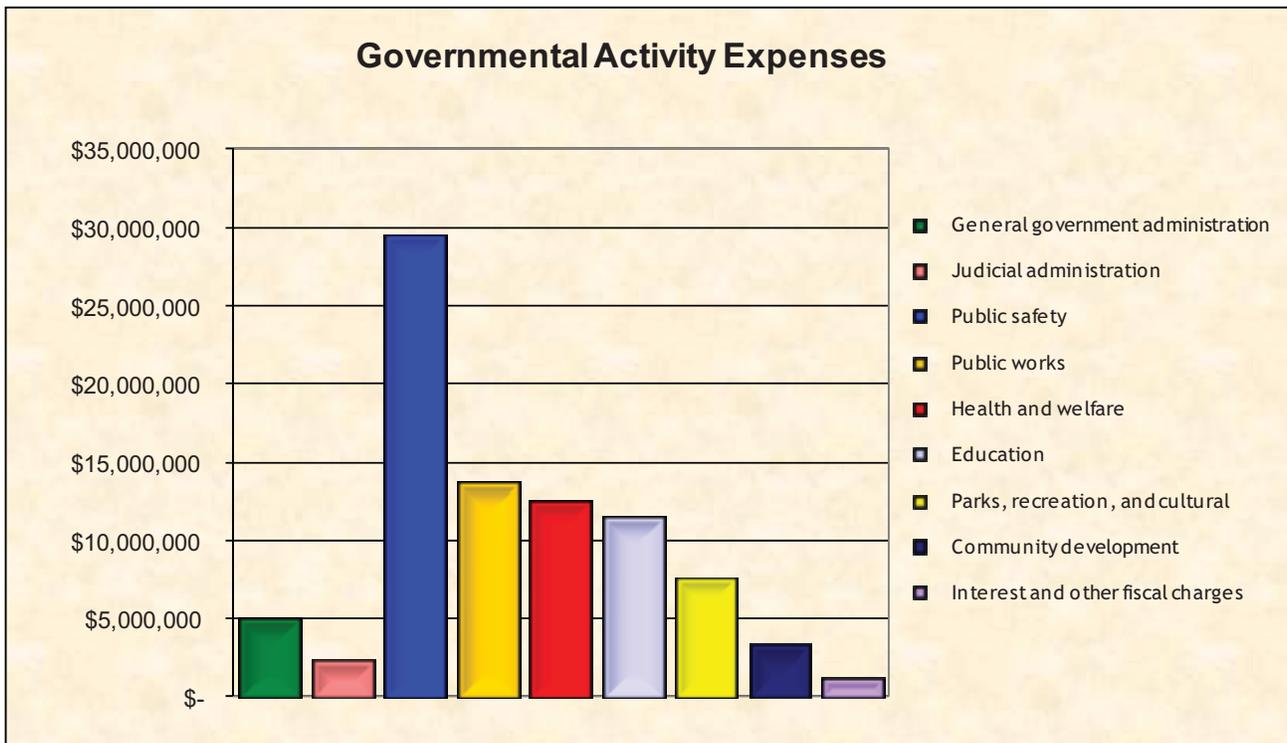
Mass Transit's operating loss in 2013 was \$875,545 which is improved from the loss of \$1,721,192 in the prior year. The City's General Fund transferred \$1,041,728 in the current year and this helped defray the loss further. Federal and state grant funding sources were reduced from \$2,246,740 in 2012 to \$1,780,004 and were a contributing factor in the loss as well. Operating In the sixth year of operations the Golf Course increased revenues from \$683,792 to \$709,000. The City's General Fund transferred \$319,430 in FY 13 to help reduce the operating loss in the Golf Course Fund.

The chart below provides an overview of FY 12-13 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 \$25,089,410, a decrease of \$2,217,393 in comparison with the prior year. Approximately 7% of this total amount (\$1,725,979) constitutes unassigned fund balance, which would be available for spending at the City's discretion if all assets were available. The City has non-spendable balances comprised of inventory and land held for resale in the amount of \$5,234,818 and inter-fund loans in the amount of \$9,148,704. In addition the City's General Fund has restricted fund balance for debt service and grants totaling \$3,682,545. The remainder of fund balance is committed and details can be found supporting these amounts on Exhibit 3.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,725,979 while the total fund balance was \$20,072,234. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 1.98% of total General Fund expenditures, while total fund balance represents 23% of that same amount.

The fund balance of the City's General Fund decreased \$1,836,064 during the current fiscal year. Key factors in the decrease are as follows:

- Expenditures for education increased from \$7,934,373 to \$10,903,205. Funding for schools in 2013 is more in line with amounts historically speaking as FY 12 funding was less than budgeted amounts by \$2,358,627. In addition the City acquired six school buses in May 2013 which cost \$534,816.

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

- Funding from state and federal government sources declined by \$557,497 and \$713,451 respectively. Most of the state funding shortfall is due to decreased CSA funding.
- The City's general property tax revenue increased from \$33,388,519 to \$33,787,723 or \$399,204. Real estate taxes increased \$671,411 while personal property taxes decreased \$196,058.
- In FY 13 the City elected to transfer monies to the Mass Transit Fund and the Golf Course Fund to help reduce operating losses in those funds as the revenues in the funds is insufficient to meet operating expenses. Transfers to Transit totaled \$1,041,728 and to the Golf Course Fund totaled \$319,430 respectfully.

The City's other governmental funds reflected an overall decrease in fund balances of \$381,330. The Capital Projects fund balance decreased \$199,235 and the other non-major funds decreased \$182,095. The decrease in the Capital Projects fund was primarily caused by the expenditure on various building renovations projects and funding was provided for in previous years. Expenditures totaled \$355,643 for improvements to Lee Park and other details for specific capital projects can be found on Schedule 2 of this report. The Federal and State Projects Fund had revenues of \$1,301,935 and expenditures of \$1,487,411 which contributed to the decrease in fund balance of \$185,506. More information on the other governmental funds can be found on Exhibit 14.

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 (\$493,140), (\$7,735,727), and (\$2,699,289), respectively. Net position decreased for the Public Utility Fund by \$912,757 while decreases were noted for \$875,545 for Mass Transit and \$81,591 for the Golf Course Fund. 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 several increases in appropriations. These increases caused the expenditure budget to increase from \$78,019,458 to \$78,639,764 as disclosed on Exhibit 11. Some of the major differences can be summarized as follows:

- An increase of \$940,989 in general government administration due primarily to the increase in central garage for motor pool expenditures.
- An increase of \$935,685 in public safety for increased Police department operating expenditures.
- An increase of \$574,836 in public works for refuse collection buyout of refuse collection contract.
- A decrease of \$1,378,771 in health and welfare due primarily to reduction in comprehensive services expenditures.

While the total General Fund revenue budget increased from \$79,455,720 to \$79,599,988 or \$144,268 most of the funding to support these increases came from amounts from the Commonwealth of Virginia and Federal government which increased by a combined \$132,318. 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, 2013 totaled \$103,679,031 (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 \$3,440,306 in the governmental activities and \$1,715,730 the business-type activities. The City's governmental capital assets, net of accumulated depreciation, decreased by \$478,040. The City's business-type capital assets, net of accumulated depreciation, decreased \$1,393,213. More detailed information on the City's capital assets can be found in Note 6 of this report.

Long-term debt - At the end of the current fiscal year, the City governmental activities had total long-term obligations outstanding of \$51,112,326 and the business-type activities had \$5,315,394. Of these amounts \$43,084,237 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 \$5,000,000 in general obligation bonds. The City also issued \$1,030,747 in capital lease obligations for six school buses, eleven vehicles for the Police Department, six Ford pickup trucks, and 2 GMC Savanas. Lastly the City issued \$4,368,000 taxable general obligation bonds to refund \$1,730,000 of Series 2004 GO Refundings bonds and to refund \$2,385,000 of 2005 A Series Bonds. The City also issued and redeemed \$5,925,000 of tax revenue anticipation notes during the year. 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 do not. The local unemployment rate was 10.7% at October, 2013, which is higher than the 10.10% at June 30, 2012.

This factor was considered in preparing the City's budget for the 2014 fiscal year. The General Fund for FY 14 totals \$80,202,858, which is a increase of \$774,638 or 1% more the fiscal 2013 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

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2013

	Primary Government			Component
	Governmental	Business- Type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,264,425	\$ -	\$ 3,264,425	\$ 100,113
Restricted cash	7,073,432	870,000	7,943,432	-
Receivables (net of allowance for uncollectibles):				
Property taxes	7,748,843	-	7,748,843	-
Accounts receivable	1,575,255	2,390,229	3,965,484	71,111
Inventory	5,234,818	583,125	5,817,943	207,591
Due from Primary Government	-	-	-	3,742,315
Internal balances	9,178,414	(9,178,414)	-	-
Due from other governmental units	4,972,818	77,375	5,050,193	2,442,435
Total Current Assets	\$ 39,048,005	\$ (5,257,685)	\$ 33,790,320	\$ 6,563,565
Noncurrent Assets				
Restricted cash - SCWA - debt service	\$ -	\$ 464,606	\$ 464,606	\$ -
Capital assets (net of depreciation):				
Land	\$ 6,046,998	\$ 4,700,360	\$ 10,747,358	\$ 5,000
Construction in progress	2,112,664	2,959,066	5,071,730	13,420
Land improvements	-	592,849	592,849	133,813
Utility plant in service	-	12,381,523	12,381,523	-
Water capacity rights	-	2,541,500	2,541,500	-
Buildings and improvements	32,941,312	21,021,646	53,962,958	7,305,733
Vehicles	1,386,268	1,049,516	2,435,784	1,558,669
Equipment and machinery	3,206,955	459,193	3,666,148	303,599
Infrastructure	12,279,181	-	12,279,181	-
Total Capital Assets	\$ 57,973,378	\$ 45,705,653	\$ 103,679,031	\$ 9,320,234
Total Noncurrent Assets	\$ 57,973,378	\$ 46,170,259	\$ 104,143,637	\$ 9,320,234
Total Assets	\$ 97,021,383	\$ 40,912,574	\$ 137,933,957	\$ 15,883,799
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 4,289,081	\$ 740,863	\$ 5,029,944	\$ 3,943,715
Reconciled overdraft	-	3,307,457	3,307,457	258,995
Accrued interest payable	357,462	55,800	413,262	-
Customer deposits	5,000	568,050	573,050	-
Due to Component Unit School Board	3,742,315	-	3,742,315	-
Long-term liabilities:				
Due within one year	2,513,138	289,019	2,802,157	361,906
Due in more than one year	48,599,188	5,026,375	53,625,563	1,251,440
Total Liabilities	\$ 59,506,184	\$ 9,987,564	\$ 69,493,748	\$ 5,816,056
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	\$ 303,437	\$ -	\$ 303,437	\$ 2,305
NET POSITION				
Net investment in capital assets	\$ 18,479,417	\$ 40,518,560	\$ 58,997,977	\$ 8,973,631
Restricted for grants	465,902	-	465,902	-
Restricted for debt service	3,509,985	1,334,606	4,844,591	-
Restricted for capital projects	2,943,987	-	2,943,987	-
Restricted for McKenney scholarships	19,014	-	19,014	-
Restricted for perpetual care and library	1,760,833	-	1,760,833	-
Unrestricted	10,032,624	(10,928,156)	(895,532)	1,091,807
Total Net Position	\$ 37,211,762	\$ 30,925,010	\$ 68,136,772	\$ 10,065,438
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 97,021,383	\$ 40,912,574	\$ 137,933,957	\$ 15,883,799

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

CITY OF PETERSBURG, VIRGINIA

Statement of Activities
 Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 5,024,964	\$ 350,714	\$ 291,559	\$ -
Judicial administration	2,329,886	615,372	962,643	-
Public safety	29,534,876	461,406	7,096,135	-
Public works	13,624,539	2,125,662	5,001,123	1,014,283
Health and welfare	12,472,778	-	8,845,264	-
Education	11,476,574	-	-	-
Parks, recreation, and cultural	7,557,488	98,246	274,093	-
Community development	3,277,238	307,123	1,081,150	-
Interest	1,228,991	-	-	-
Total governmental activities	\$ 86,527,333	\$ 3,958,523	\$ 23,551,967	\$ 1,014,283
Business-type activities:				
Public utility	\$ 9,490,563	\$ 9,130,177	\$ -	\$ -
Mass transit	4,233,740	536,463	1,403,671	376,333
Golf course	1,110,021	709,000	-	-
Total business-type activities	\$ 14,834,324	\$ 10,375,640	\$ 1,403,671	\$ 376,333
Total primary government	\$ 101,361,657	\$ 14,334,163	\$ 24,955,638	\$ 1,390,616
COMPONENT UNIT:				
School Board	\$ 49,054,430	\$ 487,384	\$ 38,233,027	\$ -

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
\$ (4,382,691)	\$ -	\$ (4,382,691)	\$ -
(751,871)	-	(751,871)	-
(21,977,335)	-	(21,977,335)	-
(5,483,470)	-	(5,483,470)	-
(3,627,514)	-	(3,627,514)	-
(11,476,574)	-	(11,476,574)	-
(7,185,149)	-	(7,185,149)	-
(1,888,965)	-	(1,888,965)	-
(1,228,991)	-	(1,228,991)	-
<u>\$ (58,002,561)</u>	<u>\$ -</u>	<u>\$ (58,002,561)</u>	<u>\$ -</u>
\$ -	\$ (360,386)	\$ (360,386)	\$ -
-	(1,917,273)	(1,917,273)	-
-	(401,021)	(401,021)	-
<u>\$ -</u>	<u>\$ (2,678,680)</u>	<u>\$ (2,678,680)</u>	<u>\$ -</u>
<u>\$ (58,002,561)</u>	<u>\$ (2,678,680)</u>	<u>\$ (60,681,241)</u>	<u>\$ -</u>
			<u>\$ (10,334,019)</u>
\$ 33,726,929	\$ -	\$ 33,726,929	\$ -
3,738,656	-	3,738,656	-
1,761,728	-	1,761,728	-
2,876,387	-	2,876,387	-
502,714	-	502,714	-
273,899	-	273,899	-
2,211,886	-	2,211,886	-
566,682	-	566,682	-
397,947	6,051	403,998	20,440
1,285,606	-	1,285,606	331,820
4,835,521	-	4,835,521	-
-	-	-	10,903,206
(802,736)	802,736	-	-
<u>\$ 51,375,219</u>	<u>\$ 808,787</u>	<u>\$ 52,184,006</u>	<u>\$ 11,255,466</u>
<u>\$ (6,627,342)</u>	<u>\$ (1,869,893)</u>	<u>\$ (8,497,235)</u>	<u>\$ 921,447</u>
<u>43,839,104</u>	<u>32,794,903</u>	<u>76,634,007</u>	<u>9,143,991</u>
<u>\$ 37,211,762</u>	<u>\$ 30,925,010</u>	<u>\$ 68,136,772</u>	<u>\$ 10,065,438</u>

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2013

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Non Major Funds	
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,307,916	\$ 694,164	\$ 5,002,080
Restricted cash	3,509,985	1,783,600	1,779,847	7,073,432
Receivables (Net of allowances for uncollectibles):				
Taxes	7,748,843	-	-	7,748,843
Accounts	1,562,255	-	13,000	1,575,255
Inventory and land held for resale	5,234,818	-	-	5,234,818
Due from other funds	9,148,704	279,781	-	9,428,485
Due from other governmental units	4,711,750	83,142	177,926	4,972,818
Total assets	<u>\$ 31,916,355</u>	<u>\$ 6,454,439</u>	<u>\$ 2,664,937</u>	<u>\$ 41,035,731</u>
LIABILITIES				
Accounts payable	\$ 1,379,451	\$ 439,966	\$ 105,598	\$ 1,925,015
Reconciled overdraft	1,737,655	-	-	1,737,655
Accrued salaries and withholdings payable	2,364,066	-	-	2,364,066
Deposits held	5,000	-	-	5,000
Due to other funds	-	-	250,071	250,071
Due to Component Unit School Board	671,829	3,070,486	-	3,742,315
Total liabilities	<u>\$ 6,158,001</u>	<u>\$ 3,510,452</u>	<u>\$ 355,669</u>	<u>\$ 10,024,122</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	\$ 5,686,120	\$ -	\$ 236,079	\$ 5,922,199
FUND BALANCE				
Nonspendable:				
Inventory and land held for resale	\$ 5,234,818	\$ -	\$ -	\$ 5,234,818
Cemetery Perpetual care and library	-	-	1,760,833	1,760,833
McKenney scholarships	-	-	19,014	19,014
Interfund loans	9,148,704	-	-	9,148,704
Restricted:				
Grants	172,560	-	293,342	465,902
Debt service	3,509,985	-	-	3,509,985
Capital projects	-	2,943,987	-	2,943,987
Commitments - note 18	280,188	-	-	280,188
Unassigned:				
General fund	1,725,979	-	-	1,725,979
Total fund balances	<u>\$ 20,072,234</u>	<u>\$ 2,943,987</u>	<u>\$ 2,073,189</u>	<u>\$ 25,089,410</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 31,916,355</u>	<u>\$ 6,454,439</u>	<u>\$ 2,664,937</u>	<u>\$ 41,035,731</u>
Fund balances above			\$	25,089,410

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.

57,973,378

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(357,462)

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.

5,618,762

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.

(51,112,326)

Net position of General Government Activities

\$ 37,211,762

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, 2013

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Non- Major Funds	
Revenues:				
General property taxes	\$ 33,787,723	\$ -	\$ -	\$ 33,787,723
Other local taxes	11,931,952	-	-	11,931,952
Permits, privilege fees and regulatory licenses	589,836	-	-	589,836
Fines and forfeitures	784,879	-	-	784,879
Revenue from use of money and property	411,351	5,924	(19,328)	397,947
Charges for services	2,577,308	-	6,500	2,583,808
Miscellaneous	1,102,132	62,196	121,278	1,285,606
Recovered costs	1,117,726	-	36,234	1,153,960
Intergovernmental:				
Commonwealth	21,751,671	648,075	645,105	23,044,851
Federal	4,410,164	366,208	1,580,548	6,356,920
Total revenues	\$ 78,464,742	\$ 1,082,403	\$ 2,370,337	\$ 81,917,482
Expenditures:				
Current:				
General government administration	\$ 5,754,005	\$ -	\$ -	\$ 5,754,005
Judicial administration	2,179,386	-	-	2,179,386
Public safety	27,428,864	-	1,319,410	28,748,274
Public works	11,233,790	588,838	-	11,822,628
Health and welfare	12,077,260	-	-	12,077,260
Education	10,903,205	1,393,462	168,031	12,464,698
Parks, recreation, and cultural	7,299,926	411,091	-	7,711,017
Community development	2,878,504	-	332,264	3,210,768
Nondepartmental	1,583,016	-	-	1,583,016
Debt service:				
Principal retirement	4,407,663	15,312	-	4,422,975
Interest and other fiscal charges	1,232,833	76,516	-	1,309,349
Total expenditures	\$ 86,978,452	\$ 2,485,219	\$ 1,819,705	\$ 91,283,376
Excess (deficiency) of revenues over (under) expenditures	\$ (8,513,710)	\$ (1,402,816)	\$ 550,632	\$ (9,365,894)
Other financing sources (uses):				
Transfers in	\$ 87,567	\$ 1,203,581	\$ -	\$ 1,291,148
Transfers (out)	(1,361,158)	-	(732,727)	(2,093,885)
Issuance of refunding bonds	3,751,828	-	-	3,751,828
Payment to refunding bond escrow agent	(1,831,338)	-	-	(1,831,338)
Issuance of capital leases	1,030,747	-	-	1,030,747
Issuance of debt	5,000,000	-	-	5,000,000
Total other financing sources (uses)	\$ 6,677,646	\$ 1,203,581	\$ (732,727)	\$ 7,148,501
Changes in fund balance	\$ (1,836,064)	\$ (199,235)	\$ (182,095)	\$ (2,217,393)
Fund balances at beginning of year	21,908,297	3,143,222	2,255,284	27,306,803
Fund balances at end of year	\$ 20,072,234	\$ 2,943,987	\$ 2,073,189	\$ 25,089,410

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, 2013

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(2,217,393)
<p>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 the capital outlays exceeded depreciation in the current period. The following details support this adjustment.</p>		
Capital asset additions	\$ 8,684,357	
Decrease in construction in progress	(5,722,091)	
Depreciation expense	<u>(3,440,306)</u>	(478,040)
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 change in deferred taxes.		(60,794)
<p>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:</p>		
Principal retired on debt	\$ 6,254,313	
Issuance of debt, refunding bonds and capital leases	<u>(9,782,575)</u>	(3,528,262)
<p>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:</p>		
Change in compensated absences	\$ (240,132)	
Change in net OPEB obligation	(150,000)	
Change in accrued interest payable	<u>47,279</u>	<u>(342,853)</u>
Change in net position of governmental activities	\$	<u><u>(6,627,342)</u></u>

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

Statement of Net Position
 Proprietary Funds
 June 30, 2013

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
ASSETS				
Current Assets				
Restricted cash - SCWA - debt service	\$ 870,000	\$ -	\$ -	\$ 870,000
Receivables (net of allowance for uncollectibles):				
Accounts receivable	2,390,229	-	-	2,390,229
Due from other governmental units	-	77,375	-	77,375
Inventory	217,335	314,044	51,746	583,125
Total Current Assets	<u>\$ 3,477,564</u>	<u>\$ 391,419</u>	<u>\$ 51,746</u>	<u>\$ 3,920,729</u>
Noncurrent Assets				
Restricted cash - SCWA - debt service	\$ 464,606	\$ -	\$ -	\$ 464,606
Capital assets (net of depreciation):				
Land	\$ 173,898	\$ 1,143,415	\$ 3,383,047	\$ 4,700,360
Construction in progress	2,959,066	-	-	2,959,066
Land improvements	-	-	592,849	592,849
Utility plant in service	12,381,523	-	-	12,381,523
Buildings and improvements	-	20,968,446	53,200	21,021,646
Water capacity rights	2,541,500	-	-	2,541,500
Vehicles	108,704	940,812	-	1,049,516
Equipment and machinery	170,644	288,549	-	459,193
Total capital assets (net of accumulated depreciation)	<u>\$ 18,335,335</u>	<u>\$ 23,341,222</u>	<u>\$ 4,029,096</u>	<u>\$ 45,705,653</u>
Total Noncurrent Assets	<u>\$ 18,799,941</u>	<u>\$ 23,341,222</u>	<u>\$ 4,029,096</u>	<u>\$ 46,170,259</u>
Total Assets	<u><u>\$ 22,277,505</u></u>	<u><u>\$ 23,732,641</u></u>	<u><u>\$ 4,080,842</u></u>	<u><u>\$ 50,090,988</u></u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 416,162	\$ 90,467	\$ 15,860	\$ 522,489
Reconciled overdraft	1,266,440	1,392,792	648,225	3,307,457
Accrued salaries payable	102,154	105,664	10,556	218,374
Accrued interest payable	9,720	-	46,080	55,800
Due to other funds	672,676	6,480,355	2,025,383	9,178,414
Customers' deposits payable	568,050	-	-	568,050
Long-term liabilities:				
Due within one year	163,935	45,511	79,573	289,019
Due in more than one year	1,185,666	63,259	3,777,450	5,026,375
Total Liabilities	<u>\$ 4,384,803</u>	<u>\$ 8,178,048</u>	<u>\$ 6,603,127</u>	<u>\$ 19,165,978</u>
NET POSITION				
Net investment in capital assets	\$ 17,051,236	\$ 23,290,320	\$ 177,004	\$ 40,518,560
Restricted for SCWA - debt service	1,334,606	-	-	1,334,606
Unrestricted	(493,140)	(7,735,727)	(2,699,289)	(10,928,156)
Total Net Position	<u>\$ 17,892,702</u>	<u>\$ 15,554,593</u>	<u>\$ (2,522,285)</u>	<u>\$ 30,925,010</u>
Total Liabilities and Net Position	<u><u>\$ 22,277,505</u></u>	<u><u>\$ 23,732,641</u></u>	<u><u>\$ 4,080,842</u></u>	<u><u>\$ 50,090,988</u></u>

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, 2013

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Operating revenues:				
Charges for services	\$ 8,603,489	\$ 531,354	\$ 709,000	\$ 9,843,843
Connection fees	522,826	-	-	522,826
Miscellaneous income	3,862	5,109	-	8,971
Total operating revenues	<u>\$ 9,130,177</u>	<u>\$ 536,463</u>	<u>\$ 709,000</u>	<u>\$ 10,375,640</u>
Operating expenses:				
Personal services	\$ 1,254,266	\$ 1,401,134	\$ 116,958	\$ 2,772,358
Fringe benefits	458,805	411,496	20,291	890,592
Contractual services	756,773	590,397	478,577	1,825,747
Wastewater treatment services	3,096,164	-	-	3,096,164
Water purchased for resale	1,083,337	-	-	1,083,337
Other charges	1,326,397	770,971	242,181	2,339,549
Depreciation	594,833	1,056,255	64,642	1,715,730
Total operating expenses	<u>\$ 8,570,575</u>	<u>\$ 4,230,253</u>	<u>\$ 922,649</u>	<u>\$ 13,723,477</u>
Operating income (loss)	<u>\$ 559,602</u>	<u>\$ (3,693,790)</u>	<u>\$ (213,649)</u>	<u>\$ (3,347,837)</u>
Nonoperating revenues (expenses):				
State grants	\$ -	\$ 707,996	\$ -	\$ 707,996
Federal grants	-	695,675	-	695,675
Interest income	6,051	-	-	6,051
Contribution to SCWA	(870,000)	-	-	(870,000)
Interest expense	(49,988)	(3,487)	(187,372)	(240,847)
Total nonoperating revenues (expenses)	<u>\$ (913,937)</u>	<u>\$ 1,400,184</u>	<u>\$ (187,372)</u>	<u>\$ 298,875</u>
Income (loss) before contributions and transfers	<u>\$ (354,335)</u>	<u>\$ (2,293,606)</u>	<u>\$ (401,021)</u>	<u>\$ (3,048,962)</u>
Capital contributions and construction grants	\$ -	\$ 376,333	\$ -	\$ 376,333
Transfers (out)	(558,422)	-	-	(558,422)
Transfers in	-	1,041,728	319,430	1,361,158
Changes in net position	<u>\$ (912,757)</u>	<u>\$ (875,545)</u>	<u>\$ (81,591)</u>	<u>\$ (1,869,893)</u>
Net position (deficit) at beginning of year	<u>18,805,459</u>	<u>16,430,138</u>	<u>(2,440,694)</u>	<u>32,794,903</u>
Net position (deficit) at end of year	<u><u>\$ 17,892,702</u></u>	<u><u>\$ 15,554,593</u></u>	<u><u>\$ (2,522,285)</u></u>	<u><u>\$ 30,925,010</u></u>

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

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2013

	<u>Public Utility Fund</u>	<u>Mass Transit Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 8,732,366	\$ 539,683	\$ 709,000	\$ 9,981,049
Payments to suppliers	(1,705,483)	(1,768,991)	(145,634)	(3,620,108)
Payments to employees (including fringe benefits)	<u>(6,439,212)</u>	<u>(1,613,265)</u>	<u>(781,326)</u>	<u>(8,833,803)</u>
Net cash provided by (used for) operating activities	<u>\$ 587,671</u>	<u>\$ (2,842,573)</u>	<u>\$ (217,960)</u>	<u>\$ (2,472,862)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (44,715)	\$ (277,802)	\$ -	\$ (322,517)
Capital grants and contributions	-	376,333	-	376,333
Interest expense	(70,249)	(3,487)	(188,846)	(262,582)
Contribution to SCWA	(870,000)	-	-	(870,000)
Retirement of indebtedness	<u>(250,260)</u>	<u>(45,319)</u>	<u>(75,265)</u>	<u>(370,844)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,235,224)</u>	<u>\$ 49,725</u>	<u>\$ (264,111)</u>	<u>\$ (1,449,610)</u>
Cash flows from noncapital financing activities:				
State and federal grants	\$ -	\$ 1,645,434	\$ -	\$ 1,645,434
Transfers (to) and from other funds	<u>-</u>	<u>1,041,728</u>	<u>319,430</u>	<u>1,361,158</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 2,687,162</u>	<u>\$ 319,430</u>	<u>\$ 3,006,592</u>
Cash flows from investing activities:				
Interest income	<u>\$ 6,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,051</u>
Increase in cash and cash equivalents	\$ (641,502)	\$ (105,686)	\$ (162,641)	\$ (909,829)
Cash and cash equivalents at beginning of year	<u>709,668</u>	<u>(1,287,106)</u>	<u>(485,584)</u>	<u>(1,063,022)</u>
Cash and cash equivalents at end of year	<u><u>\$ 68,166</u></u>	<u><u>\$ (1,392,792)</u></u>	<u><u>\$ (648,225)</u></u>	<u><u>\$ (1,972,851)</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>\$ 559,602</u>	<u>\$ (3,693,790)</u>	<u>\$ (213,649)</u>	<u>\$ (3,347,837)</u>
Adjustments to reconcile net loss to net cash provided by operations:				
Depreciation	\$ 594,833	\$ 1,056,255	\$ 64,642	\$ 1,715,730
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable and due from other governments	(412,512)	3,220	-	(409,292)
Inventory	26,188	22,488	(7,616)	41,060
Increase (decrease) in:				
Accounts payable and accrued expenses	(163,974)	(234,751)	(48,362)	(447,087)
Customer deposits	14,701	-	-	14,701
Compensated absences	<u>(31,167)</u>	<u>4,005</u>	<u>(12,975)</u>	<u>(40,137)</u>
Total adjustments	<u>\$ 28,069</u>	<u>\$ 851,217</u>	<u>\$ (4,311)</u>	<u>\$ 874,975</u>
Net cash provided by (used for) operating activities	<u><u>\$ 587,671</u></u>	<u><u>\$ (2,842,573)</u></u>	<u><u>\$ (217,960)</u></u>	<u><u>\$ (2,472,862)</u></u>

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

Statement of Fiduciary Net Position - Fiduciary Funds
 At June 30, 2013

	<u>Hospital Trust Fund</u>		<u>Agency Funds</u>
	<u>Private- Purpose Trust</u>		
ASSETS			
Cash and cash equivalents	\$ 540,453	\$	504,211
Land held for resale	-		2,500,000
	<u>540,453</u>		<u>2,500,000</u>
Total assets	<u>\$ 540,453</u>	<u>\$</u>	<u>3,004,211</u>
LIABILITIES			
Accounts payable	\$ 135,000	\$	-
Amounts held for inmates	-		446,784
Note payable	-		2,500,000
Amounts held for social services clients	-		57,427
	<u>135,000</u>		<u>3,004,211</u>
Total liabilities	<u>\$ 135,000</u>	<u>\$</u>	<u>3,004,211</u>
NET POSITION			
Held for hospitalization care for welfare recipients	<u>405,453</u>		<u>-</u>
Total liabilities and net position	<u>\$ 540,453</u>	<u>\$</u>	<u>3,004,211</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, 2013

	Hospital Trust Fund <u>Private- Purpose Trust</u>
Additions	
Investment income	\$ <u>1,025</u>
Change in net position	\$ 1,025
Net position - beginning of the year	<u>404,428</u>
Net position - end of the year	<u><u>\$ 405,453</u></u>

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

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013

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 units. 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, 2013.

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, 2013.

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

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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, 2013 were \$3,096,164 and amortization of prepaid debt service totaled \$870,000. 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, 2013 were \$1,409,480. 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, 2013 were \$1,083,337. 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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 the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. 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 (government 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).

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 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

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

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

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.

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.

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

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. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. 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 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.

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

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

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 and Community Development Act. Both 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. Capital Projects Funds consist of Capital Projects Fund. The Capital Projects fund is considered a major fund for reporting purposes.
- 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 non-major funds for financial reporting purposes.

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

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

1. 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.

2. 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 Fund. 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.

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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

E. Budgets and Budgetary Accounting: (Continued)

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.

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).

G. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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."

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

H. Receivables and Payables: (Continued)

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 \$1,967,995 at June 30, 2013 and is comprised of the following:

Property taxes - General Fund	\$	620,332
Refuse and consumer's utility taxes - General Fund		154,173
Public Utility Accounts		1,193,490
Total	\$	<u>1,967,995</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 purchase proceeds were placed in escrow to create a rate stabilization fund for Petersburg to retire its share of the SCWA public improvement bond issue. This escrow is held by SCWA. 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 escrowed proceeds as a restricted asset and the water capacity rights as an intangible capital asset. At June 30, 2013 the City has Restricted Assets totaling \$870,000 and \$1,334,606 as current and noncurrent in its public utility fund.

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, 2013.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

J. Capital Assets: (Continued)

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:

Assets	Years
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.

L. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The City's policy is to fund pension cost as it accrues.

M. 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 unearned revenue in the governmental fund financial statements. For government-wide reporting, uncollected property taxes, net of allowance for uncollectible amounts, are reported as revenues.

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

N. 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.

O. 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.

City management believes that financial assurance requirements of the Financial Assurance Regulations for solid waste disposal (Administrative Code Section 20-70-210) are being met through the use of the local government financial test. The City plans to fund landfill closure and post-closure monitoring costs through operating and capital budgets.

P. 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;
- 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

P. Fund Equity: (Continued)

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 and assignments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment or assignment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). The City does this through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The City Council has not delegated this authority to assign amounts to any individual for the fiscal year ending June 30, 2013.

As of June 30, 2013, there was a deficit fund balance in the Federal and State Projects Fund (\$64,444) and a deficit in the net position in the Golf Course Fund (\$2,522,285). It is expected that future operating revenues will remediate the deficits in these Funds.

Q. 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.

R. 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.

S. Restricted Cash

The City has governmental fund restricted cash amounts in its Capital Projects Fund, which consists of unexpended bond proceeds, and in Permanent Funds which are restricted of amounts held for cemetery and other purposes. Restricted cash amounts in the Public Utility Fund are to be used for fund South Central Wastewater Authority debt service amounts through fiscal year ending June 30, 2014. The amount paid during FY 2013 is \$870,000.

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

T. 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.

U. 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.

V. 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 does not have any deferred outflows of resources as of June 30, 2013.

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. The City has one type of item that qualifies for reporting in this category. 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 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. This also includes uncollected property taxes due prior to June 30. Under the accrual basis, 2nd amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

W. Adoption of Accounting Principles

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

W. Adoption of Accounting Principles: (Continued)

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net position was restated by \$695,692 as disclosed in Note 17.

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, 2013 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, 2013 (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, 2013 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-	A-
Primary Government:					
Local Government Investment Pool	\$ 523,776	\$ -	\$ -	\$ -	\$ -
SNAP	1,783,600	-	-	-	-
U.S. Savings Bonds	-	2,000	-	-	-
Fixed income	-	-	-	416,928	205,900
Municipal public bonds	-	-	221,256	77,213	-
U.S. Agency Securities	-	-	756,048	-	-
Total Primary Government investments	\$ <u>2,307,376</u>	\$ <u>2,000</u>	\$ <u>977,304</u>	\$ <u>494,141</u>	\$ <u>205,900</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	\$ 523,776	\$ 523,776	\$ -	\$ -	\$ -
SNAP	1,783,600	1,783,600	-	-	-
U.S. Savings Bonds	2,000	-	-	-	2,000
Municipal public bonds	298,469	-	298,469	-	-
Fixed income	622,828	-	622,828	-	-
U.S. Agency Securities	756,048	-	756,048	-	-
Total Primary Government investments	\$ <u>3,986,721</u>	\$ <u>2,307,376</u>	\$ <u>1,677,345</u>	\$ -	\$ <u>2,000</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools

The fair values of the positions in the 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 maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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, 2013 the City has receivables from other governments as follows:

	<u>Primary Government</u>	
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Commonwealth of Virginia:		
Local sales taxes	\$ 586,812	\$ -
Miscellaneous grants	444,683	-
Shared expenses	415,865	-
Public assistance and welfare administration	229,613	-
Comprehensive services	322,293	-
Mass Transit	-	59,126
PPTRA	2,294,331	-
Communications tax	197,514	-
Federal Government:		
Public assistance and welfare administration	287,837	-
Community Development Block Grant	27,765	-
Miscellaneous grants	166,105	-
Emergency services - Hurricane Irene	-	-
Mass Transit	-	18,249
	<u>-</u>	<u>18,249</u>
Total due from other governments	<u>\$ 4,972,818</u>	<u>\$ 77,375</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013 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	\$ 9,148,704	\$ -
Capital projects	279,781	-
Enterprise:		
Public Utility	-	672,676
Mass Transit	-	6,480,355
Golf Course	-	2,025,383
Non-major funds:		
Blandford Cemetery Perpetual Care	-	250,071
Total	<u>\$ 9,428,485</u>	<u>\$ 9,428,485</u>
Reporting Entity:		
Primary Government - General Fund	\$ -	\$ 671,829
Primary Government - Capital Projects Fund	-	3,070,486
School Board	3,742,315	-
Total	<u>\$ 3,742,315</u>	<u>\$ 3,742,315</u>

Interfund balances have been recorded to cover fund cash deficits; however, it is expected that future revenue streams will enable repayment from the Public Utility Fund. For the Federal and State Projects and the Mass Transit Funds, grants from the state and federal governments are the anticipated source from which the funds will reimburse 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, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Major Funds:		
General	\$ 87,567	\$ 1,361,158
Capital Projects	1,203,581	-
Enterprise:		
Public Utility	-	558,422
Golf Course	319,430	-
Mass Transit	1,041,728	-
Nonmajor Funds:		
Community Development Act Fund	-	732,726
Blandford Cemetery Perpetual Care	-	-
Total	<u>\$ 2,652,306</u>	<u>\$ 2,652,306</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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.

Note 5—Inventory:

At June 30, 2013 the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Expendable supplies	\$ 131,169	\$ 583,125
Land and building inventory held for resale:		
324 Commercial/residential lots owned in the City	5,071,468	-
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>
Totals	<u>\$ 5,234,818</u>	<u>\$ 583,125</u>

The following is a summary of changes in inventory held for resale for the fiscal year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance June 30, 2013</u>
Land and building inventory held for resale:				
324 Commercial/residential lots owned in the City	\$ 4,713,142	\$ 360,826	\$ 2,500	\$ 5,071,468
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>	<u>-</u>	<u>32,181</u>
Totals	<u>\$ 4,745,323</u>	<u>\$ 360,826</u>	<u>\$ 2,500</u>	<u>\$ 5,103,649</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013:

	<u>Restated Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,046,998	\$ -	\$ -	\$ 6,046,998
Construction in progress - city projects	1,142,462	953,230	1,572,963	522,729
Construction in progress - school projects	6,692,293	1,352,992	6,455,350	1,589,935
Total capital assets not being depreciated	<u>\$ 13,881,753</u>	<u>\$ 2,306,222</u>	<u>\$ 8,028,313</u>	<u>\$ 8,159,662</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 65,338,949	\$ 6,792,703	\$ -	\$ 72,131,652
Infrastructure	105,842,929	622,604	-	106,465,533
Vehicles	9,879,051	914,799	-	10,793,850
Equipment (other than vehicles)	10,613,254	354,251	-	10,967,505
Total capital assets being depreciated	<u>\$ 191,674,183</u>	<u>\$ 8,684,357</u>	<u>\$ -</u>	<u>\$ 200,358,540</u>
Accumulated depreciation:				
Buildings and improvements	\$ 37,712,712	\$ 1,477,628	\$ -	\$ 39,190,340
Infrastructure	93,667,095	519,257	-	94,186,352
Vehicles	8,877,383	530,199	-	9,407,582
Equipment	6,847,328	913,222	-	7,760,550
Total accumulated depreciation	<u>\$ 147,104,518</u>	<u>\$ 3,440,306</u>	<u>\$ -</u>	<u>\$ 150,544,824</u>
Total capital assets being depreciated, net	<u>\$ 44,569,665</u>	<u>\$ 5,244,051</u>	<u>\$ -</u>	<u>\$ 49,813,716</u>
Governmental Activities capital assets, net	<u>\$ 58,451,418</u>	<u>\$ 7,550,273</u>	<u>\$ 8,028,313</u>	<u>\$ 57,973,378</u>
Reconciliation of primary government net position net investment in capital assets:				
Net capital assets				<u>\$ 57,973,378</u>
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 27,807,281	
School Literary Fund loan			3,450,000	
School Qualified Zone Academy Bonds			6,795,695	
Note payable			1,971,081	
Capital lease			1,253,504	41,277,561
Less-debt proceeds received but not expended on capital assets at year end				<u>(1,783,600)</u>
Net long-term debt, as adjusted				<u>\$ 39,493,961</u>
Net investment in capital assets				<u>\$ 18,479,417</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013:

	<u>Balance</u> <u>July 1,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2013</u>
Business-type Activities:				
Public Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 173,898	\$ -	\$ -	\$ 173,898
Construction in progress	<u>2,914,351</u>	<u>44,715</u>	<u>-</u>	<u>2,959,066</u>
Total capital assets not being depreciated	<u>\$ 3,088,249</u>	<u>\$ 44,715</u>	<u>\$ -</u>	<u>\$ 3,132,964</u>
Capital assets being depreciated:				
Utility plant in service	\$ 26,955,723	\$ -	\$ -	\$ 26,955,723
Water capacity rights intangible asset	4,420,000	-	-	4,420,000
Vehicles	1,099,291	-	-	1,099,291
Equipment and machinery	<u>1,265,478</u>	<u>-</u>	<u>-</u>	<u>1,265,478</u>
Total capital assets being depreciated	<u>\$ 33,740,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,740,492</u>
Accumulated depreciation:				
Utility plant in service	\$ 14,184,848	\$ 389,352	\$ -	\$ 14,574,200
Water capacity rights intangible asset	1,768,000	110,500	-	1,878,500
Vehicles	927,128	63,459	-	990,587
Equipment and machinery	<u>1,063,312</u>	<u>31,522</u>	<u>-</u>	<u>1,094,834</u>
Total accumulated depreciation	<u>\$ 17,943,288</u>	<u>\$ 594,833</u>	<u>\$ -</u>	<u>\$ 18,538,121</u>
Total capital assets being depreciated, net	<u>\$ 15,797,204</u>	<u>\$ (594,833)</u>	<u>\$ -</u>	<u>\$ 15,202,371</u>
Public Utility fund capital assets, net	<u><u>\$ 18,885,453</u></u>	<u><u>\$ (550,118)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,335,335</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Business-type Activities:				
Mass Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,143,415	\$ -	\$ -	\$ 1,143,415
Total capital assets not being depreciated	<u>\$ 1,143,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,143,415</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 24,479,794	\$ 94,131	\$ -	\$ 24,573,925
Vehicles	3,722,167	52,683	-	3,774,850
Equipment and machinery	542,654	130,988	-	673,642
Total capital assets being depreciated	<u>\$ 28,744,615</u>	<u>\$ 277,802</u>	<u>\$ -</u>	<u>\$ 29,022,417</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,934,544	\$ 670,935	\$ -	\$ 3,605,479
Vehicles	2,530,476	303,562	-	2,834,038
Equipment and machinery	303,335	81,758	-	385,093
Total accumulated depreciation	<u>\$ 5,768,355</u>	<u>\$ 1,056,255</u>	<u>\$ -</u>	<u>\$ 6,824,610</u>
Total capital assets being depreciated, net	<u>\$ 22,976,260</u>	<u>\$ (778,453)</u>	<u>\$ -</u>	<u>\$ 22,197,807</u>
Mass Transit fund capital assets, net	<u><u>\$ 24,119,675</u></u>	<u><u>\$ (778,453)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,341,222</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Business-type Activities:				
Golf Course				
Capital assets, not being depreciated:				
Land	\$ 3,383,047	\$ -	\$ -	\$ 3,383,047
Total capital assets not being depreciated	<u>\$ 3,383,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,383,047</u>
Capital assets being depreciated:				
Land improvements	\$ 931,641	\$ -	\$ -	\$ 931,641
Buildings	56,000	-	-	56,000
Total capital assets being depreciated	<u>\$ 987,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 987,641</u>
Accumulated depreciation:				
Land improvements	\$ 276,950	\$ 61,842	\$ -	\$ 338,792
Buildings	-	2,800	-	2,800
Total accumulated depreciation	<u>\$ 276,950</u>	<u>\$ 64,642</u>	<u>\$ -</u>	<u>\$ 341,592</u>
Total capital assets being depreciated, net	<u>\$ 710,691</u>	<u>\$ (64,642)</u>	<u>\$ -</u>	<u>\$ 646,049</u>
Golf Course fund capital assets, net	<u>\$ 4,093,738</u>	<u>\$ (64,642)</u>	<u>\$ -</u>	<u>\$ 4,029,096</u>
Total Business-type Activities capital assets, net	<u>\$ 47,098,866</u>	<u>\$ (1,393,213)</u>	<u>\$ -</u>	<u>\$ 45,705,653</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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	\$ 43,297
Judicial administration	91,317
Public safety	653,477
Public works	2,127,720
Health and welfare	81,703
Education	364,868
Parks, recreation and cultural	65,788
Community development	<u>12,136</u>
Total Governmental activities	\$ <u><u>3,440,306</u></u>
Business-type activities:	
Public Utility Fund	\$ 594,833
Mass Transit Fund	1,056,255
Golf Course Fund	<u>64,642</u>
Total Business-type activities	\$ <u><u>1,715,730</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013:

<u>Description</u>	<u>Balance July 1, 2012</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Long-term obligation transactions:					
General obligation bonds	\$ 23,940,398	\$ 8,751,828	\$ 4,884,945	\$ 27,807,281	\$ 704,586
School Literary Fund loan	3,875,000	-	425,000	3,450,000	425,000
School Qualified Zone Academy Bonds	6,795,695	-	-	6,795,695	-
Note payable	2,574,563	-	603,482	1,971,081	627,018
Capital leases	1,098,460	1,030,747	340,887	1,788,320	516,707
Landfill closure and post- closure liability	6,206,677	-	-	6,206,677	-
Net OPEB obligation	545,000	282,000	132,000	695,000	-
Compensated absences	2,158,140	348,578	108,446	2,398,272	239,827
 Total Governmental Activities long-term obligations	 \$ 47,193,933	 \$ 10,413,153	 \$ 6,494,760	 \$ 51,112,326	 \$ 2,513,138
Short-term obligation transactions:					
General obligation bonds	-	860,000	860,000	-	-
Anticipation notes	-	5,925,000	5,925,000	-	-
 Total Governmental Activities obligations	 \$ 47,193,933	 \$ 17,198,153	 \$ 13,279,760	 \$ 51,112,326	 \$ 2,513,138
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year:				\$ 2,513,138	
Long-term liabilities due in more than one year:				<u>48,599,188</u>	
 Total long-term obligations				 <u>\$ 51,112,326</u>	

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013 are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Loans		Note Payable		Qualified Zone Academy Bonds	Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2014	\$ 704,586	\$ 865,721	\$ 425,000	\$ 69,000	\$ 627,018	\$ 76,259	\$ -	\$ 516,707	\$ 41,513
2015	772,405	848,642	425,000	60,500	651,472	51,806	-	470,454	26,100
2016	953,686	831,020	425,000	52,000	692,591	26,398	1,400,000	360,557	13,768
2017	1,711,425	801,158	425,000	43,500	-	-	600,000	227,286	6,571
2018	1,779,825	763,581	425,000	35,000	-	-	-	213,316	2,774
2019	1,771,205	726,860	425,000	26,500	-	-	2,142,167	-	-
2020	1,829,999	687,884	425,000	18,000	-	-	-	-	-
2021	2,204,692	638,923	425,000	9,500	-	-	1,536,671	-	-
2022	2,260,888	580,586	50,000	1,000	-	-	-	-	-
2023	2,282,070	520,606	-	-	-	-	1,116,857	-	-
2024	1,300,678	475,612	-	-	-	-	-	-	-
2025	1,328,068	445,144	-	-	-	-	-	-	-
2026	1,355,927	413,698	-	-	-	-	-	-	-
2027	1,387,745	380,659	-	-	-	-	-	-	-
2028	905,285	345,859	-	-	-	-	-	-	-
2029	423,636	314,496	-	-	-	-	-	-	-
2030	442,356	297,486	-	-	-	-	-	-	-
2031	456,097	247,242	-	-	-	-	-	-	-
2032	371,958	196,135	-	-	-	-	-	-	-
2033	380,000	177,412	-	-	-	-	-	-	-
2034	396,250	157,768	-	-	-	-	-	-	-
2035	412,500	137,346	-	-	-	-	-	-	-
2036	437,000	115,763	-	-	-	-	-	-	-
2037	453,250	92,549	-	-	-	-	-	-	-
2038	481,000	68,373	-	-	-	-	-	-	-
2039	500,500	42,801	-	-	-	-	-	-	-
2040	504,250	16,182	-	-	-	-	-	-	-
Total	\$ <u>27,807,281</u>	\$ <u>11,189,506</u>	\$ <u>3,450,000</u>	\$ <u>315,000</u>	\$ <u>1,971,081</u>	\$ <u>154,463</u>	\$ <u>6,795,695</u>	\$ <u>1,788,320</u>	\$ <u>90,726</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Details of long-term obligations as of June 30, 2013 are as follows:

Original Amount	Description	Outstanding Amount at June 30, 2013
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%	\$ 380,688
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)	1,842,515
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)	3,751,828
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)	7,012,250
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	6,795,000
5,000,000	Series 2013B taxable general obligation and refunding bond due in various annual installments through April 2028, interest at 3.87%	5,000,000
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	1,530,000
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	1,215,000
	Total general obligation bonds	<u>\$ 27,807,281</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2013</u>
	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%	\$ 3,000,000
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%	450,000
	Total State Literary Fund Loans	<u>\$ 3,450,000</u>
	Qualified Zone Academy Bonds:	
	(1)	
1,400,000	Series 2001 issued December 14, 2001, due in annual installments of \$70,000 through December 15, 2014, final payment of \$204,750 due December 15, 2015	\$ 1,400,000
	(2)	
600,000	Series 2002 issued December 27, 2002, due in annual installments of \$34,124 through December 15, 2016	600,000
	(3)	
2,142,167	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
	(4)	
1,536,671	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
	(5)	
1,116,857	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	<u>1,116,857</u>
	Total Qualified Zone Academy Bonds	<u>\$ 6,795,695</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Original Amount	Description	Outstanding Amount at June 30, 2013
	Note Payable:	
	Issued December 8, 2005 for acquisition of 800 MHz Communications System; due in annual installments of \$703,277 through January 9, 2016; interest at 3.9%	
\$ 5,732,712		\$ 1,971,081
	Note Payable	\$ 1,971,081
	Other Obligations:	
	Capital lease obligations	1,788,320
	Landfill closure and post-closure liability	6,206,677
	Other post employment benefits	695,000
	Compensated absences	2,398,272
	Total governmental activities obligations	<u>\$ 51,112,326</u>

- (1) 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 3.79% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,400,000.
- (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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013:

	<u>Balance July 1, 2012</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Public Utility Fund:					
General obligation bonds	\$ 1,433,103	\$ 616,172	\$ 830,764	\$ 1,218,511	\$ 119,539
Capital lease obligations	101,256	-	35,668	65,588	36,973
Compensated absences	<u>96,669</u>	<u>8,748</u>	<u>39,915</u>	<u>65,502</u>	<u>7,423</u>
Total Public Utility fund	<u>\$ 1,631,028</u>	<u>\$ 624,920</u>	<u>\$ 906,347</u>	<u>\$ 1,349,601</u>	<u>\$ 163,935</u>
Mass Transit Fund:					
Capital lease obligations	\$ 96,221	-	\$ 45,319	\$ 50,902	\$ 39,724
Compensated absences	<u>53,863</u>	<u>15,842</u>	<u>11,837</u>	<u>57,868</u>	<u>5,787</u>
Total Mass Transit fund	<u>\$ 150,084</u>	<u>\$ 15,842</u>	<u>\$ 57,156</u>	<u>\$ 108,770</u>	<u>\$ 45,511</u>
Golf Course Fund:					
General obligation bonds	\$ 3,877,500	-	\$ 64,750	\$ 3,812,750	\$ 68,250
Capital lease obligations	49,857	-	10,515	39,342	10,830
Compensated absences	<u>17,906</u>	<u>4,245</u>	<u>17,220</u>	<u>4,931</u>	<u>493</u>
Total Golf Course fund	<u>\$ 3,945,263</u>	<u>\$ 4,245</u>	<u>\$ 92,485</u>	<u>\$ 3,857,023</u>	<u>\$ 79,573</u>
Total Business-type Activities	<u>\$ 5,726,375</u>	<u>\$ 645,007</u>	<u>\$ 1,055,988</u>	<u>\$ 5,315,394</u>	<u>\$ 289,019</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-Type Activities: (Continued)

Details of long-term obligations transactions as of June 30, 2013:

Original Amount	Description	Outstanding Amount at June 30, 2013
	Public Utility Fund:	
	General Obligation Bonds:	
\$ 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)	\$ 602,339
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)	616,172
	Total general obligation bonds	\$ 1,218,511
	Capital Lease Obligations	\$ 65,588
	Compensated absences	65,502
	Total Public Utility Fund	\$ 1,349,601
	Mass Transit Fund:	
	Capital Lease Obligation	\$ 50,902
	Compensated absences	57,868
	Total Mass Transit Fund	\$ 108,770
	Golf Course Fund:	
\$ 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)	
	Total general obligation bonds	\$ 3,812,750
	Capital Lease Obligations	39,342
	Compensated absences	4,931
	Total Golf Course Fund	\$ 3,857,023
	Total business-type activities	\$ 5,315,394

(1) 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 3.79% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,400,000.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize business-type activities obligations outstanding as of June 30, 2013 are as follows:

Year Ending June 30,	General Obligation Bonds				Capital Leases					
	Public Utility Fund		Golf Course Fund		Public Utility Fund		Mass Transit Fund		Golf Course Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 119,539	\$ 33,972	\$ 68,250	\$ 184,320	\$ 36,973	\$ 1,755	\$ 39,724	\$ 1,574	\$ 10,830	\$ 1,015
2015	122,433	31,009	71,750	180,850	28,615	431	11,178	84	11,153	691
2016	126,810	27,952	75,250	177,084	-	-	-	-	11,487	358
2017	129,849	24,799	78,750	173,137	-	-	-	-	5,872	51
2018	119,226	20,938	84,000	168,967	-	-	-	-	-	-
2019	56,426	18,547	87,500	164,572	-	-	-	-	-	-
2020	61,363	16,639	92,750	159,953	-	-	-	-	-	-
2021	155,736	13,122	98,000	155,065	-	-	-	-	-	-
2022	160,814	7,994	103,250	150,057	-	-	-	-	-	-
2023	166,315	2,694	108,500	144,946	-	-	-	-	-	-
2024	-	-	113,750	139,583	-	-	-	-	-	-
2025	-	-	119,000	133,960	-	-	-	-	-	-
2026	-	-	124,250	128,063	-	-	-	-	-	-
2027	-	-	131,250	121,821	-	-	-	-	-	-
2028	-	-	138,250	115,190	-	-	-	-	-	-
2029	-	-	145,250	108,166	-	-	-	-	-	-
2030	-	-	152,250	100,986	-	-	-	-	-	-
2031	-	-	159,250	93,605	-	-	-	-	-	-
2032	-	-	166,250	85,812	-	-	-	-	-	-
2033	-	-	175,000	77,643	-	-	-	-	-	-
2034	-	-	183,750	69,055	-	-	-	-	-	-
2035	-	-	192,500	60,048	-	-	-	-	-	-
2036	-	-	203,000	50,415	-	-	-	-	-	-
2037	-	-	211,750	40,150	-	-	-	-	-	-
2038	-	-	224,000	29,367	-	-	-	-	-	-
2039	-	-	234,500	18,018	-	-	-	-	-	-
2040	-	-	270,750	6,106	-	-	-	-	-	-
Total	\$ 1,218,511	\$ 197,666	\$ 3,812,750	\$ 3,036,939	\$ 65,588	\$ 2,186	\$ 50,902	\$ 1,658	\$ 39,342	\$ 2,115

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital Leases:			
\$331,200 issued December 1, 2010 for the purchase of twelve Ford Crown Vic for Police Interceptors for the Police Department; payable in monthly installments of \$5,973 through December 2015; interest at 3.15%	\$ 172,109	\$ -	\$ 172,109
\$78,038 issued August 7, 2008 for the purchase of 3 police vehicles; payable in monthly installments of \$1,472 through August, 2014; interest at 4.98%	2,926	-	2,926
\$97,207 issued April 27, 2009 for the purchase of 3 police vehicles and one Chevrolet Suburban; payable in monthly installments of \$1,875 through April, 2014; interest at 5.90%	18,250	-	18,250
\$607,751 issued April 27, 2009 for the purchase of a HVAC replacement system; payable in monthly installments of \$8,653 through April, 2016; interest at 5.90%	272,925	-	272,925
\$1,101,124 issued February 25, 2005 for the purchase of equipment; payable in monthly installments of \$10,940 through March 1, 2015; interest at 3.60%	156,746	65,588	222,334
\$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%	118,026	39,342	157,368
\$265,738 issued May 7, 2013, for the purchase of 11 Dodge chargers; payable in semi-annual installments of \$27,750 beginning November 7, 2013 through May 7, 2018; interest at 1.59%	265,738	-	265,738
\$765,009 issued June 28, 2013, for the purchase of 6 school buses, 2 GMC Savanas, and 6 Ford trucks; payable in semi-annual installments of \$80,295 beginning June 28, 2013 through June 28, 2018; interest at 1.78%	765,009	-	765,009

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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)			
\$270,000 issued September 26, 2007 for the City's share of the purchase of nine Gillig buses for Mass Transit Department (balance paid with federal grant funds); payable in monthly installments of \$3,754 through September 2014; interest at 4.51%	-	\$ 50,902	\$ 50,902
\$48,450 issued June 30, 2011 for the purchase of a Ford Expedition and a Ford Explorer for the Police Department; payable in monthly installments of \$1,403 through June 2014; interest at 2.72%	16,591	-	16,591
Total capital lease obligations	<u>\$ 1,788,320</u>	<u>\$ 155,832</u>	<u>\$ 1,944,152</u>
Total equipment cost of assets acquired through capital lease	\$ 4,511,815	\$ 1,050,841	\$ 5,562,656
Total accumulated depreciation on assets acquired through capital lease	(2,080,604)	(822,236)	(2,902,840)
Net remaining book value	<u>\$ 2,431,211</u>	<u>\$ 228,605</u>	<u>\$ 2,659,816</u>

	<u>Date Issued</u>	<u>Balance July 1, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2013</u>
Tax revenue anticipation note	9/30/2012	\$ -	\$ 5,925,000	\$ 5,925,000	\$ -
General obligation bonds	1/29/2013	-	860,000	860,000	-
		<u>\$ -</u>	<u>\$ 6,785,000</u>	<u>\$ 6,785,000</u>	<u>\$ -</u>

The City's general fund is responsible for repaying long-term obligation amounts.

Business-Type Activities

The general obligation bonds payable totaling \$1,218,511 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 \$3,812,750 are expected to be paid from the operating revenues of the Golf Course.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Debt Defeasance:

On October 11, 2012 The City of Petersburg issued Taxable General Obligation Refunding Bond, Series 2012 in the amount of \$4,368,000 to advance refund Series 2004 General Obligation Refunding Bonds in the amount of \$1,730,000 and to currently refund 2005A General Obligation Refunding Bonds in the amount of \$2,385,000 which was recorded in the Governmental funds (\$1,797,407) and in the Public Utility Fund (\$587,593). The 2005a Series was split between General and the Water and Sewer Fund in the amount of \$1,797,407 and \$587,593 respectively. The refunding was undertaken to improve current cash flows which results in increased debt service payments by \$1,075,813 and resulted in an economic loss of \$201,623.

Note 8—Unearned/Unavailable Revenue:

The following is a summary of unearned revenue for the year ended June 30, 2013:

Unearned Revenue	Governmental Funds			
	General Fund	Federal and State Projects Fund	Total Governmental Funds	Entity-Wide Activities
Litter control state grant funding	\$ -	\$ 6,308	\$ 6,308	\$ 6,308
RCAP	-	229,771	229,771	229,771
Proposal review fees	34,579	-	34,579	34,579
Blanket permit fees	20,000	-	20,000	20,000
Prepaid property taxes	12,779	-	12,779	12,779
Local delinquent real and personal property taxes	5,618,762	-	5,618,762	-
	<u>\$ 5,686,120</u>	<u>\$ 236,079</u>	<u>\$ 5,922,199</u>	<u>\$ 303,437</u>

Note 9—Commitments and Contingencies:

While no matters of noncompliance were disclosed by audit, 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12—Defined Benefit Pension Plan:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Note 12—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the City is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rates for the fiscal year ended 2013 was 14.87% of annual covered payroll, respectively.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 12—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For the fiscal year 2013 the City’s annual pension cost of \$3,841,057 was equal to the City’s required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 3,841,057	100%	\$ -
June 30, 2012	2,349,394	100%	-
June 30, 2011	2,340,106	100%	-

(1) Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50 to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City’s and the School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and School Board’s unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City’s plan was 74.54% funded. The actuarial accrued liability for benefits was \$158,899,895, and the actuarial value of assets was \$118,447,570 resulting in an unfunded actuarial accrued liability (UAAL) of \$40,452,325. The covered payroll (annual payroll of active employees covered by the plan) was \$24,913,602 and ratio of the UAAL to the covered payroll was 162.37%.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 13—Landfill Closure and Postclosure Care Costs:

State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$6,206,677 reported as a landfill closure, postclosure care cost, and corrective action cost liability as of June 30, 2013 is based on the use of 90.32% of the estimated capacity used to date. The City will recognize the remaining estimated cost of closure and postclosure care of \$558,023 as the remaining estimated capacity is utilized in the existing open cell. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. Actual closure and postclosure care costs may be different due to inflation, changes in technology, or changes in regulations. The landfill's remaining life is estimated to be 3 years. The amount included for corrective action costs is \$1,000,000, as required by the Virginia Department of Environmental Quality, until a formal corrective action plan as submitted by the City is approved and carried out.

The City plans to meet all federal laws, regulations and tests of financial assurance related to the financing of closure and postclosure care when they become effective; however, subsequent to year end the City is in the process of transferring its landfill obligations to an independent contractor. The City demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C@)-70 of the Virginia Administrative Code.

Note 14—Expenditures and Appropriations:

Expenditures exceeded appropriations at June 30, 2013 as follows:

<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Amount</u>
General government administration	\$ 5,730,061	\$ 5,754,005	\$ 23,944
Public safety	27,194,069	27,428,864	234,795
Public works	10,397,957	11,233,790	835,833
Health and welfare	12,064,330	12,077,260	12,930
Parks, recreation, and cultural	2,211,978	2,299,926	87,948 *
Community development	2,838,908	2,878,504	39,596
Nondepartmental	1,560,884	1,583,016	22,132

* Note \$5,000,000 contribution to the Petersburg Library Foundation was not recorded in the City's expenditures and is not subject to compliance with the Code of Virginia.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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.

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, 2013. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (“UAAL”) at \$2,909,000 and an Annual Required Contribution (“ARC”) of \$236,000. The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The City paid \$132,000 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2013. 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, 2013, 2012 and 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 236,000	51% \$	695,000
June 30, 2012	236,000	51%	545,000
June 30, 2011	287,000	35%	441,000

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Annual OPEB Cost: (Continued)

For 2013, the City’s cash payments of \$86,000 were less than the annual OPEB costs. The City’s annual OPEB cost, the contributions made, and the increase in net OPEB obligation as well as the net OPEB obligation for 2013 is as follows:

	<u>City</u>
Annual required contribution	\$ 237,000
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	(19,000)
Annual OPEB cost (expense)	<u>\$ 236,000</u>
Contributions made	<u>86,000</u>
Increase (decrease) in net OPEB obligation	\$ 150,000
Net OPEB obligation - beginning of year	545,000
Net OPEB obligation - end of year	<u><u>\$ 695,000</u></u>

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 2,909,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,909,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	24,696,000
UAAL as a percentage of covered payroll	11.78%

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.

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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 15—Other Post-Employment Benefits Program: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Cost Method

In the June 30, 2012 (most recent) actuarial valuation report, the entry age actuarial cost method was used. The actuarial assumptions included a 10 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, 2012 was thirty years.

Interest Assumptions

	<u>Funded</u>
Discount rate	4.0%
Payroll growth	N/A
Inflation rate	2.5%
Health cost trend rate	10.0%

Note 16—Subsequent Event:

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 will be sold for \$350,000 to an independent contractor. In addition the contractor, upon taking possession of the Landfill, will assume 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. In previous years the City's title to the property has been transferred to the Contractor and subsequent to year end the Contractor will be obtaining a Permit from DEQ. When DEQ issues the Contractor the Permit the City's liability for closure and post-closure care will be removed from the City's long-term obligations.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 17—Net Position Restatement:

Net Position amounts were restated as of July 1, 2012 as follows:

	<u>Governmental Activities</u>
Net position, as previously reported	\$ 35,499,332
Adjustment for:	
Accumulated depreciation	9,035,464
Unamortized debt issuance costs	<u>(695,692)</u>
Total adjustments	\$ <u>8,339,772</u>
Net position, as restated	\$ <u><u>43,839,104</u></u>

Note 18—Fund Balance Commitments:

The following is a summary of the City's commitments as of June 30, 2013:

	<u>General Fund</u>
Fund Balances:	
Committed to:	
General government	\$ 102,786
Public safety	125,780
Public works	28,422
Parks recreation and cultural	10,299
Community development	12,901
Total Committed Fund Balance	\$ <u><u>280,188</u></u>

Note 19—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.

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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.

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Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 34,774,115	\$ 34,774,115	\$ 33,787,723	\$ (986,392)
Other local taxes	13,510,173	13,510,173	11,931,952	(1,578,221)
Permits, privilege fees and regulatory licenses	425,529	425,529	589,836	164,307
Fines and forfeitures	683,000	683,000	784,879	101,879
Revenue from use of money and property	235,000	235,000	411,351	176,351
Charges for services	2,019,131	2,031,081	2,577,308	546,227
Miscellaneous	380,930	380,930	1,102,132	721,202
Recovered costs	-	-	1,117,726	1,117,726
Intergovernmental:				
Commonwealth	27,254,819	27,337,137	21,751,671	(5,585,466)
Federal	173,023	223,023	4,410,164	4,187,141
Total revenues	\$ 79,455,720	\$ 79,599,988	\$ 78,464,742	\$ (1,135,246)
Expenditures:				
Current:				
General government administration	\$ 4,789,072	\$ 5,730,061	\$ 5,754,005	\$ (23,944)
Judicial administration	2,184,013	2,179,386	2,179,386	-
Public safety	26,258,384	27,194,069	27,428,864	(234,795)
Public works	9,823,121	10,397,957	11,233,790	(835,833)
Health and welfare	13,443,101	12,064,330	12,077,260	(12,930)
Education	10,505,000	10,505,000	10,903,205	(398,205)
Parks, recreation, and cultural	2,064,617	2,211,978	7,299,926	(5,087,948)
Community development	3,080,594	2,838,908	2,878,504	(39,596)
Debt service:				
Principal retirement	3,253,537	3,253,537	4,407,663	(1,154,126)
Interest and other fiscal charges	703,654	703,654	1,232,833	(529,179)
Nondepartmental	1,914,365	1,560,884	1,583,016	(22,132)
Total expenditures	\$ 78,019,458	\$ 78,639,764	\$ 86,978,452	\$ (8,338,688)
Excess (deficiency) of revenues over (under) expenditures	\$ 1,436,262	\$ 960,224	\$ (8,513,710)	\$ (9,473,934)
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 87,567	\$ 87,567
Transfers (out)	(1,381,164)	(1,381,164)	(1,361,158)	20,006
Payment to refunding bond escrow agent	-	-	(1,831,338)	(1,831,338)
Issuance of capital leases	-	-	1,030,747	1,030,747
Issuance of refunding bonds	-	-	3,751,828	3,751,828
Issuance of debt	-	-	5,000,000	5,000,000
Total other financing sources	\$ (1,381,164)	\$ (1,381,164)	\$ 6,677,646	\$ 8,058,810
Changes in fund balance	\$ 55,098	\$ (420,940)	\$ (1,836,064)	\$ (1,415,124)
Fund balances at beginning of year	(55,098)	420,940	21,908,297	21,487,357
Fund balances at end of year	\$ -	\$ -	\$ 20,072,234	\$ 20,072,234

Schedule of Pension and OPEB Funding Progress

Last Three Fiscal Years

Virginia Retirement System

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)
6/30/2012	\$ 118,447,570	\$ 158,899,895	\$ 40,452,325	74.54%	\$ 24,913,602	162.37%
6/30/2011	122,133,745	153,590,629	31,456,884	79.52%	25,157,467	125.04%
6/30/2010	121,863,335	147,031,585	25,168,250	82.88%	25,098,810	100.28%

Other Post Employment 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)
6/30/2012	\$ -	\$ 2,909,000	\$ 2,909,000	0.00%	\$ 24,696,000	11.78%
6/30/2011	-	2,909,000	2,909,000	0.00%	24,696,000	11.78%
6/30/2010		2,796,000	2,796,000	0.00%	24,696,000	11.32%

Combining and Individual Fund Statements and Schedules

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Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2013

	Special Revenue Funds		Permanent Funds			Total
	Federal and State Projects Fund	Community Development Act Fund	Blandford Cemetery Perpetual Care	Clara J. McKenney Memorial	Library Endowment Fund	
ASSETS						
Cash and cash equivalents	\$ 101,161	\$ 342,932	\$ 250,071	\$ -	\$ -	\$ 694,164
Restricted cash	-	-	1,758,833	19,014	2,000	1,779,847
Receivables (Net of allowance for uncollectibles) Accounts	13,000	-	-	-	-	13,000
Due from other governments	150,162	27,764	-	-	-	177,926
Total assets	\$ 264,323	\$ 370,696	\$ 2,008,904	\$ 19,014	\$ 2,000	\$ 2,664,937
LIABILITIES						
Accounts payable	\$ 92,688	\$ 12,910	\$ -	\$ -	\$ -	\$ 105,598
Due to other funds	-	-	250,071	-	-	250,071
Total liabilities	\$ 92,688	\$ 12,910	\$ 250,071	\$ -	\$ -	\$ 355,669
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	\$ 236,079	\$ -	\$ -	\$ -	\$ -	\$ 236,079
FUND BALANCES						
Nonspendable:						
Cemetery Perpetual care	\$ -	\$ -	\$ 1,758,833	\$ -	\$ -	\$ 1,758,833
McKenney scholarships	-	-	-	19,014	-	19,014
Library	-	-	-	-	2,000	2,000
Restricted:						
Grants	(64,444)	357,786	-	-	-	293,342
Total fund balances	\$ (64,444)	\$ 357,786	\$ 1,758,833	\$ 19,014	\$ 2,000	\$ 2,073,189
Total liabilities, deferred inflows of resources and fund balances	\$ 264,323	\$ 370,696	\$ 2,008,904	\$ 19,014	\$ 2,000	\$ 2,664,937

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OTHER SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2013

	Special Revenue Funds		Permanent Funds			Total
	Federal and State Projects Fund	Community Development Act Fund	Blandford Cemetery Perpetual Care	Clara J. McKenney Memorial	Library Endowment Fund	
Revenues:						
Revenue from the use of money and property	\$ -	\$ -	\$ (19,333)	\$ 5	\$ -	\$ (19,328)
Charges for services	-	-	6,500	-	-	6,500
Miscellaneous	121,278	-	-	-	-	121,278
Recovered costs	36,154	80	-	-	-	36,234
Intergovernmental:						
Commonwealth	645,105	-	-	-	-	645,105
Federal	499,398	1,081,150	-	-	-	1,580,548
Total revenues	\$ 1,301,935	\$ 1,081,230	\$ (12,833)	\$ 5	\$ -	\$ 2,370,337
Expenditures:						
Public safety	\$ 1,319,410	\$ -	\$ -	\$ -	\$ -	\$ 1,319,410
Education	168,031	-	-	-	-	168,031
Planning and community development	-	332,264	-	-	-	332,264
Total expenditures	\$ 1,487,441	\$ 332,264	\$ -	\$ -	\$ -	\$ 1,819,705
Excess (deficiency) of revenues over (under) expenditures	\$ (185,506)	\$ 748,966	\$ (12,833)	\$ 5	\$ -	\$ 550,632
Other financing sources (uses):						
Transfers (out)	\$ -	\$ (732,727)	\$ -	\$ -	\$ -	\$ (732,727)
Total other financing sources (uses)	\$ -	\$ (732,727)	\$ -	\$ -	\$ -	\$ (732,727)
Changes in fund balances	\$ (185,506)	\$ 16,239	\$ (12,833)	\$ 5	\$ -	\$ (182,095)
Fund balances at beginning of year	121,062	341,547	1,771,666	19,009	2,000	2,255,284
Fund balances at end of year	\$ (64,444)	\$ 357,786	\$ 1,758,833	\$ 19,014	\$ 2,000	\$ 2,073,189

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, 2013

	<u>Federal and State Projects Fund</u>			Variance From Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Miscellaneous	\$ -	\$ 1,041,205	\$ 121,278	\$ (919,927)
Recovered costs	-	-	36,154	36,154
Intergovernmental:				
Commonwealth	430,301	367,242	645,105	277,863
Federal	<u>1,295,419</u>	<u>248,856</u>	<u>499,398</u>	<u>250,542</u>
Total revenues	<u>\$ 1,725,720</u>	<u>\$ 1,657,303</u>	<u>\$ 1,301,935</u>	<u>\$ (355,368)</u>
Expenditures:				
Current:				
Public safety	\$ 1,536,979	\$ 3,202,905	\$ 1,319,410	\$ 1,883,495
Education	150,000	150,000	168,031	(18,031)
Planning and community development	-	-	-	-
Total expenditures	<u>\$ 1,686,979</u>	<u>\$ 3,352,905</u>	<u>\$ 1,487,441</u>	<u>\$ 1,865,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 38,741</u>	<u>\$ (1,695,602)</u>	<u>\$ (185,506)</u>	<u>\$ 1,510,096</u>
Other financing sources (uses):				
Transfers (out)	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Changes in fund balances	\$ 38,741	\$ (1,695,602)	\$ (185,506)	\$ 1,510,096
Fund balance at beginning of the year	<u>(38,741)</u>	<u>1,695,602</u>	<u>121,062</u>	<u>(1,574,540)</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,444)</u>	<u>\$ (64,444)</u>

Community Development Act Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
-	-	80	80
-	-	-	-
-	1,308,739	1,081,150	(227,589)
<u>\$ -</u>	<u>\$ 1,308,739</u>	<u>\$ 1,081,230</u>	<u>\$ (227,509)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
117,379	334,221	332,264	1,957
<u>\$ 117,379</u>	<u>\$ 334,221</u>	<u>\$ 332,264</u>	<u>\$ 1,957</u>
<u>\$ (117,379)</u>	<u>\$ 974,518</u>	<u>\$ 748,966</u>	<u>\$ (225,552)</u>
<u>\$ -</u>	<u>\$ (974,518)</u>	<u>\$ (732,727)</u>	<u>\$ 241,791</u>
<u>\$ -</u>	<u>\$ (974,518)</u>	<u>\$ (732,727)</u>	<u>\$ 241,791</u>
\$ (117,379)	\$ -	\$ 16,239	\$ 16,239
117,379	-	341,547	341,547
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,786</u>	<u>\$ 357,786</u>

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Combining Statement of Fiduciary Net Position - Agency Funds
At June 30, 2013

	<u>Special Welfare</u>	<u>Jail Inmate</u>	<u>Drug Seizure Fund</u>	<u>Industrial Development Authority</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 57,427	\$ 237,124	\$ 182,984	\$ 26,676	\$ 504,211
Land held for resale	-	-	-	2,500,000	2,500,000
Total assets	<u>\$ 57,427</u>	<u>\$ 237,124</u>	<u>\$ 182,984</u>	<u>\$ 2,526,676</u>	<u>\$ 3,004,211</u>
LIABILITIES					
Amounts held for social services clients	\$ 57,427	\$ -	\$ -	\$ -	\$ 57,427
Amounts held for others	-	237,124	182,984	26,676	446,784
Note payable	-	-	-	2,500,000	2,500,000
Total liabilities	<u>\$ 57,427</u>	<u>\$ 237,124</u>	<u>\$ 182,984</u>	<u>\$ 2,526,676</u>	<u>\$ 3,004,211</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 58,185	\$ 40,999	\$ 41,757	\$ 57,427
Total assets	<u>\$ 58,185</u>	<u>\$ 40,999</u>	<u>\$ 41,757</u>	<u>\$ 57,427</u>
Liabilities:				
Amounts held for others	\$ 58,185	\$ 40,999	\$ 41,757	\$ 57,427
Total liabilities	<u>\$ 58,185</u>	<u>\$ 40,999</u>	<u>\$ 41,757</u>	<u>\$ 57,427</u>
Jail Inmate Fund:				
Assets:				
Cash and cash equivalents	\$ 197,188	\$ 561,420	\$ 521,484	\$ 237,124
Total assets	<u>\$ 197,188</u>	<u>\$ 561,420</u>	<u>\$ 521,484</u>	<u>\$ 237,124</u>
Liabilities:				
Amounts held for others	\$ 197,185	\$ 561,420	\$ 521,481	\$ 237,124
Inmate telephone account	3		3	-
Total liabilities	<u>\$ 197,188</u>	<u>\$ 561,420</u>	<u>\$ 521,484</u>	<u>\$ 237,124</u>
Industrial Development Authority:				
Assets:				
Cash and cash equivalents	\$ 134,492	\$ 34	\$ 107,850	\$ 26,676
Land held for resale	2,403,380	107,857	11,237	2,500,000
Total assets	<u>\$ 2,537,872</u>	<u>\$ 107,891</u>	<u>\$ 119,087</u>	<u>\$ 2,526,676</u>
Liabilities:				
Amounts held for others	\$ 37,872	\$ 107,891	\$ 119,087	\$ 26,676
Note payable	2,500,000	-	-	2,500,000
Total liabilities	<u>\$ 2,537,872</u>	<u>\$ 107,891</u>	<u>\$ 119,087</u>	<u>\$ 2,526,676</u>
Drug Seizure Fund:				
Assets:				
Cash and cash equivalents	\$ 71,785	\$ 201,422	\$ 90,223	\$ 182,984
Total assets	<u>\$ 71,785</u>	<u>\$ 201,422</u>	<u>\$ 90,223</u>	<u>\$ 182,984</u>
Liabilities:				
Amounts held for others	\$ 71,785	\$ 201,422	\$ 90,223	\$ 182,984
Total liabilities	<u>\$ 71,785</u>	<u>\$ 201,422</u>	<u>\$ 90,223</u>	<u>\$ 182,984</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 461,650	\$ 803,875	\$ 761,314	\$ 504,211
Land held for resale	2,403,380	107,857	11,237	2,500,000
Total assets	<u>\$ 2,865,030</u>	<u>\$ 911,732</u>	<u>\$ 772,551</u>	<u>\$ 3,004,211</u>
Liabilities:				
Amounts held for others	\$ 365,027	\$ 911,732	\$ 772,548	\$ 504,211
Note payable	2,500,000	-	-	2,500,000
Inmate telephone account	3	-	3	-
Total liabilities	<u>\$ 2,865,030</u>	<u>\$ 911,732</u>	<u>\$ 772,551</u>	<u>\$ 3,004,211</u>

Supporting Schedules

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Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013

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	\$ 24,239,000	\$ 24,239,000	\$ 24,012,274	\$ (226,726)
Real and personal public service corporation property taxes	1,430,970	1,430,970	1,457,137	26,167
Personal property taxes	4,158,800	4,158,800	3,936,176	(222,624)
Mobile home taxes	18,000	18,000	24,233	6,233
Machinery and tools taxes	4,277,345	4,277,345	3,603,416	(673,929)
Penalties	410,000	410,000	429,577	19,577
Interest	240,000	240,000	324,910	84,910
Total general property taxes	\$ 34,774,115	\$ 34,774,115	\$ 33,787,723	\$ (986,392)
Other local taxes:				
Local sales and use taxes	\$ 3,675,000	\$ 3,675,000	\$ 3,738,656	\$ 63,656
Consumer utility taxes	3,605,000	3,605,000	1,761,728	(1,843,272)
Business license taxes	2,769,990	2,769,990	2,876,387	106,397
Bank stock taxes	217,000	217,000	159,058	(57,942)
Motor vehicle licenses	490,000	490,000	502,714	12,714
Taxes on recordation and wills	215,000	215,000	186,540	(28,460)
Cigarette taxes	222,000	222,000	215,485	(6,515)
Admission and amusement taxes	7,000	7,000	5,599	(1,401)
Lodging taxes	222,800	222,800	273,899	51,099
Meals taxes	2,086,383	2,086,383	2,211,886	125,503
Total other local taxes	\$ 13,510,173	\$ 13,510,173	\$ 11,931,952	\$ (1,578,221)
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 4,365	\$ (2,635)
Other permits and licenses	418,529	418,529	585,471	166,942
Total permits, privilege fees and regulatory licenses	\$ 425,529	\$ 425,529	\$ 589,836	\$ 164,307
Fines and Forfeitures:				
Court fines and forfeitures	\$ 640,000	\$ 640,000	\$ 578,126	\$ (61,874)
Other fines and forfeitures	43,000	43,000	206,753	163,753
Total fines and forfeitures	\$ 683,000	\$ 683,000	\$ 784,879	\$ 101,879

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (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)				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 120,535	\$ 120,535
Revenue from use of property	235,000	235,000	290,816	55,816
Total revenue from use of money and property	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>\$ 411,351</u>	<u>\$ 176,351</u>
Charges for services:				
EMS transportation fees	\$ 42,000	\$ 42,000	\$ 73,025	\$ 31,025
Court costs	200,225	200,225	180,531	(19,694)
Commonwealth attorney fees	2,000	2,000	5,298	3,298
Sheriff fees	25,400	37,350	106,679	69,329
Fire protection services	1,250	1,250	1,385	135
Other protection	1,500	1,500	2,164	664
Sanitation and waste removal	1,640,822	1,640,822	2,003,866	363,044
Sports complex fees	27,500	27,500	17,376	(10,124)
Recreation fees	23,000	23,000	22,611	(389)
Tourism charges	32,000	32,000	34,903	2,903
Treasurer's fees	-	-	105,368	105,368
Other services rendered	1,200	1,200	745	(455)
Library fees	22,234	22,234	23,357	1,123
Total charges for services	<u>\$ 2,019,131</u>	<u>\$ 2,031,081</u>	<u>\$ 2,577,308</u>	<u>\$ 546,227</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 280,000	\$ 280,000	\$ 31,847	\$ (248,153)
Sale of real estate	-	-	748,139	748,139
Other miscellaneous revenue	100,930	100,930	322,146	221,216
Total miscellaneous revenue	<u>\$ 380,930</u>	<u>\$ 380,930</u>	<u>\$ 1,102,132</u>	<u>\$ 721,202</u>
Recovered costs:				
Recoveries and rebates	\$ -	\$ -	\$ 214,859	\$ 214,859
Gasoline and other items	-	-	902,867	902,867
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,726</u>	<u>\$ 1,117,726</u>
Total revenue from local sources	<u>\$ 52,027,878</u>	<u>\$ 52,039,828</u>	<u>\$ 52,302,907</u>	<u>\$ 263,079</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (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:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ -	\$ -	\$ 541	\$ 541
Tax on deeds	-	-	42,817	42,817
Rolling stock tax	66,000	66,000	159,068	93,068
Auto rental tax	75,000	75,000	125,300	50,300
Communications tax	-	-	1,781,755	1,781,755
PPTRA	<u>2,726,040</u>	<u>2,726,040</u>	<u>2,726,040</u>	<u>-</u>
Total noncategorical aid	<u>\$ 2,867,040</u>	<u>\$ 2,867,040</u>	<u>\$ 4,835,521</u>	<u>\$ 1,968,481</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 637,318	\$ 637,318	\$ 632,184	\$ (5,134)
Sheriff	3,100,000	3,100,000	3,012,387	(87,613)
Commissioner of the Revenue	131,000	131,000	133,501	2,501
Treasurer	99,510	99,510	102,317	2,807
Registrar/electoral board	40,765	57,765	55,741	(2,024)
Clerk of the Circuit Court	<u>314,000</u>	<u>314,000</u>	<u>330,459</u>	<u>16,459</u>
Total shared expenses	<u>\$ 4,322,593</u>	<u>\$ 4,339,593</u>	<u>\$ 4,266,589</u>	<u>\$ (73,004)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 9,468,823	\$ 9,468,823	\$ 3,162,417	\$ (6,306,406)
Comprehensive services act grant	2,496,609	2,496,609	1,381,267	(1,115,342)
Law enforcement	1,907,670	1,907,670	1,928,244	20,574
Street and highway maintenance	4,731,000	4,731,000	5,001,123	270,123
Library	142,184	142,184	135,575	(6,609)
Adult confinement	530,000	530,000	519,969	(10,031)
E911 wireless program	400,000	400,000	335,802	(64,198)
Other state funds	<u>388,900</u>	<u>454,218</u>	<u>185,164</u>	<u>(269,054)</u>
Total other categorical aid	<u>\$ 20,065,186</u>	<u>\$ 20,130,504</u>	<u>\$ 12,649,561</u>	<u>\$ (7,480,943)</u>
Total categorical aid	<u>\$ 24,387,779</u>	<u>\$ 24,470,097</u>	<u>\$ 16,916,150</u>	<u>\$ (7,553,947)</u>
Total revenue from the Commonwealth	<u>\$ 27,254,819</u>	<u>\$ 27,337,137</u>	<u>\$ 21,751,671</u>	<u>\$ (5,585,466)</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (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 the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 4,301,580	\$ 4,301,580
Other federal grants	173,023	223,023	108,584	(114,439)
Total revenue from the federal government	<u>\$ 173,023</u>	<u>\$ 223,023</u>	<u>\$ 4,410,164</u>	<u>\$ 4,187,141</u>
Total General Fund	<u><u>\$ 79,455,720</u></u>	<u><u>\$ 79,599,988</u></u>	<u><u>\$ 78,464,742</u></u>	<u><u>\$ (1,135,246)</u></u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,924	\$ 5,924
Miscellaneous revenue:				
RZED subsidy	\$ -	\$ 38,475	\$ 62,196	\$ 23,721
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 38,475</u>	<u>\$ 62,196</u>	<u>\$ 23,721</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 38,475</u>	<u>\$ 68,120</u>	<u>\$ 29,645</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of Transportation	\$ -	\$ 156,000	\$ 648,075	\$ 492,075
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 156,000</u>	<u>\$ 648,075</u>	<u>\$ 492,075</u>
Revenue from the federal government:				
Categorical aid:				
Other federal funds	\$ -	\$ 817,016	\$ 366,208	\$ (450,808)
Total Capital Projects Fund	<u><u>\$ -</u></u>	<u><u>\$ 1,011,491</u></u>	<u><u>\$ 1,082,403</u></u>	<u><u>\$ 70,912</u></u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds:				
Federal and State Projects Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 1,041,205	\$ 121,278	\$ (919,927)
Recovered costs:				
Rebates and refunds	\$ -	\$ -	\$ 36,154	\$ 36,154
Total recovered costs	\$ -	\$ -	\$ 36,154	\$ 36,154
Total revenue from local sources	\$ -	\$ 1,041,205	\$ 157,432	\$ (883,773)
Intergovernmental:				
Revenue from the Commonwealth:				
Other categorical aid:				
Criminal justice corrections grants	\$ 280,630	\$ -	\$ 203,426	\$ 203,426
Victim witness grants	48,892	-	188,751	188,751
VJCCCA grant	-	-	76,650	76,650
Other state revenue	100,779	367,242	176,278	(190,964)
Total revenue from the Commonwealth	\$ 430,301	\$ 367,242	\$ 645,105	\$ 277,863
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Summer lunch program	\$ 150,000	\$ -	\$ 138,518	\$ 138,518
POWER program	91,561	-	69,679	69,679
Criminal justice services - victim witness	146,675	-	-	-
Other federal grants	907,183	248,856	291,201	42,345
Total revenue from the Federal Government	\$ 1,295,419	\$ 248,856	\$ 499,398	\$ 250,542
Total Federal and State Projects Fund	\$ 1,725,720	\$ 1,657,303	\$ 1,301,935	\$ (355,368)
Community Development Act Fund:				
Revenue from local sources:				
Recovered costs:				
Rebates and refunds	\$ -	\$ -	\$ 80	\$ 80
Total recovered costs	\$ -	\$ -	\$ 80	\$ 80
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 1,308,739	\$ 1,081,150	\$ (227,589)
Total revenue from the Federal Government	\$ -	\$ 1,308,739	\$ 1,081,150	\$ (227,589)
Total Community Development Act Fund	\$ -	\$ 1,308,739	\$ 1,081,230	\$ (227,509)

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Blandford Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ (19,333)	\$ (19,333)
Total revenue from use of money and property	\$ -	\$ -	\$ (19,333)	\$ (19,333)
Charges for services:				
Sale of lots	\$ -	\$ -	\$ 6,500	\$ 6,500
Total charges for services	\$ -	\$ -	\$ 6,500	\$ 6,500
Total Blandford Cemetery Perpetual Care Fund	\$ -	\$ -	\$ (12,833)	\$ (12,833)
Clara J. McKenney Memorial Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5	\$ 5
Total revenue from use of money and property	\$ -	\$ -	\$ 5	\$ 5
Total Clara J. McKenney Memorial Fund	\$ -	\$ -	\$ 5	\$ 5
Total Nonmajor Funds	\$ 1,725,720	\$ 2,966,042	\$ 2,370,337	\$ (595,705)
Total Primary Government Revenues	\$ 81,181,440	\$ 83,577,521	\$ 81,917,482	\$ (1,660,039)

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2013

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	\$ 200,980	\$ 292,369	\$ 292,369	\$ -
General and financial administration:				
City Manager	\$ 441,226	\$ 582,991	\$ 583,056	\$ (65)
Legal services	199,272	260,584	260,584	-
Personnel	194,286	225,642	225,642	-
Commissioner of the Revenue	303,168	309,071	309,071	-
Assessor	329,538	321,770	321,770	-
Treasurer	366,400	375,684	374,786	898
Finance Director	313,210	310,216	310,216	-
Accounting	321,957	321,364	321,364	-
Purchasing and general services	198,503	169,325	169,325	-
Data processing	626,161	311,264	311,264	-
Central garage - motor vehicle repair	863,575	1,750,018	1,795,069	(45,051)
Insurance - financial	116,986	116,986	116,712	274
Virginia Municipal League	11,884	11,884	11,884	-
National League of Cities	3,000	3,000	-	3,000
Virginia Institute of Government	1,500	1,500	1,500	-
Total general and financial administration	\$ 4,290,666	\$ 5,071,299	\$ 5,112,243	\$ (40,944)
Board of Elections:				
Electoral board and officials	\$ 115,600	\$ 137,603	\$ 137,603	\$ -
Registrar	181,826	228,790	211,790	17,000
Total board of elections	\$ 297,426	\$ 366,393	\$ 349,393	\$ 17,000
Total general government administration	\$ 4,789,072	\$ 5,730,061	\$ 5,754,005	\$ (23,944)
Judicial administration:				
Courts:				
Circuit court	\$ 120,051	\$ 111,319	\$ 111,319	\$ -
General district court	54,800	65,436	65,436	-
Magistrates	4,840	2,262	2,262	-
Juvenile justice	82,051	81,618	81,618	-
District J & D relations court	20,200	12,898	12,898	-
Clerk of the Circuit Court	652,087	693,889	693,889	-
Juvenile court services	216,920	176,559	176,559	-
Total courts	\$ 1,150,949	\$ 1,143,981	\$ 1,143,981	\$ -

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Judicial administration: (Continued)				
Commonwealth's attorney:				
Commonwealth's attorney	\$ 1,033,064	\$ 1,035,405	\$ 1,035,405	\$ -
Total judicial administration	\$ 2,184,013	\$ 2,179,386	\$ 2,179,386	\$ -
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 10,353,905	\$ 11,541,182	\$ 11,806,919	\$ (265,737)
Criminal justice academy	81,136	81,136	80,135	1,001
Total law enforcement and traffic control	\$ 10,435,041	\$ 11,622,318	\$ 11,887,054	\$ (264,736)
Fire and rescue services:				
Fire department	\$ 6,616,046	\$ 6,846,997	\$ 6,846,996	\$ 1
Contribution to Southside VA Emergency Crew	300,000	300,000	300,000	-
Total fire and rescue services	\$ 6,916,046	\$ 7,146,997	\$ 7,146,996	\$ 1
Correction and detention:				
City jail	\$ 8,231,357	\$ 7,756,626	\$ 7,756,626	\$ -
Juvenile detention home	459,405	459,405	429,465	29,940
Total correction and detention	\$ 8,690,762	\$ 8,216,031	\$ 8,186,091	\$ 29,940
Other protection:				
Animal control	\$ 216,535	\$ 208,723	\$ 208,723	\$ -
Total other protection	\$ 216,535	\$ 208,723	\$ 208,723	\$ -
Total public safety	\$ 26,258,384	\$ 27,194,069	\$ 27,428,864	\$ (234,795)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works	\$ 725,633	\$ 765,350	\$ 765,350	\$ -
Engineering	529,490	526,391	526,391	-
Street maintenance	3,331,183	3,378,570	3,522,663	(144,093)
Total highways, streets, bridges and sidewalks	\$ 4,586,306	\$ 4,670,311	\$ 4,814,404	\$ (144,093)

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (continued)				
Public works: (Continued)				
Sanitation and waste removal:				
Refuse collection	\$ 1,354,618	\$ 1,832,221	\$ 2,523,534	\$ (691,313)
Total sanitation and waste removal	\$ 1,354,618	\$ 1,832,221	\$ 2,523,534	\$ (691,313)
Maintenance of general buildings and grounds:				
Building maintenance	\$ 3,558,238	\$ 3,633,260	\$ 3,633,687	\$ (427)
Cemeteries maintenance	323,959	262,165	262,165	-
Total maintenance of general buildings and grounds	\$ 3,882,197	\$ 3,895,425	\$ 3,895,852	\$ (427)
Total public works	\$ 9,823,121	\$ 10,397,957	\$ 11,233,790	\$ (835,833)
Health and welfare:				
Health:				
Health department	\$ 562,206	\$ 562,206	\$ 562,386	\$ (180)
Central Virginia health planning	50,000	50,000	50,000	-
Total health	\$ 612,206	\$ 612,206	\$ 612,386	\$ (180)
Mental health and mental retardation:				
Community Services Board - District 19	\$ 181,955	\$ 181,955	\$ 185,330	\$ (3,375)
Welfare:				
Social services	\$ 8,617,344	\$ 8,201,087	\$ 8,209,017	\$ (7,930)
Family stabilization	-	-	2,445	(2,445)
Comprehensive services	3,960,396	2,997,882	2,997,882	-
Legal aid	69,200	69,200	69,200	-
Crater District Area Agency on Aging	2,000	2,000	1,000	1,000
Total welfare	\$ 12,648,940	\$ 11,270,169	\$ 11,279,544	\$ (9,375)
Total health and welfare	\$ 13,443,101	\$ 12,064,330	\$ 12,077,260	\$ (12,930)
Education:				
Contributions to Component Unit - School Board	\$ 10,505,000	\$ 10,505,000	\$ 10,903,205	\$ (398,205)
Total education	\$ 10,505,000	\$ 10,505,000	\$ 10,903,205	\$ (398,205)
Parks, recreation and cultural:				
Parks and recreation:				
Parks and leisure services	\$ 1,176,037	\$ 1,315,502	\$ 1,404,875	\$ (89,373)

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (continued)				
Parks, recreation and cultural: (Continued)				
Cultural:				
Library	\$ 888,580	\$ 896,476	\$ 895,051	\$ 1,425
Petersburg Library Foundation contribution	-	-	5,000,000	(5,000,000)
Total cultural	<u>\$ 888,580</u>	<u>\$ 896,476</u>	<u>\$ 5,895,051</u>	<u>\$ (4,998,575)</u>
Total parks, recreation and cultural	<u>\$ 2,064,617</u>	<u>\$ 2,211,978</u>	<u>\$ 7,299,926</u>	<u>\$ (5,087,948)</u>
Community development:				
Planning and community development:				
Planning	\$ 433,029	\$ 348,507	\$ 348,507	-
Economic development	1,939,263	1,659,233	1,667,358	(8,125)
Tourist promotion program	554,822	504,747	506,173	(1,426)
Crater planning district	21,073	21,073	54,952	(33,879)
Other community development	7,500	180,441	180,441	-
Contributions to other community organizations	84,907	84,907	75,720	9,187
Total planning and community development	<u>\$ 3,040,594</u>	<u>\$ 2,798,908</u>	<u>\$ 2,833,151</u>	<u>\$ (34,243)</u>
Cooperative extension program:				
VPI nutritional services	\$ 40,000	\$ 40,000	\$ 45,353	\$ (5,353)
Total community development	<u>\$ 3,080,594</u>	<u>\$ 2,838,908</u>	<u>\$ 2,878,504</u>	<u>\$ (39,596)</u>
Nondepartmental:				
Insurance	\$ 1,867,865	\$ 1,524,385	\$ 1,474,035	\$ 50,350
Contingencies - other	46,500	36,499	108,981	(72,482)
Total nondepartmental	<u>\$ 1,914,365</u>	<u>\$ 1,560,884</u>	<u>\$ 1,583,016</u>	<u>\$ (22,132)</u>
Debt service:				
Principal retirement	\$ 3,253,537	\$ 3,253,537	\$ 4,407,663	\$ (1,154,126)
Interest and fiscal charges	703,654	703,654	1,232,833	(529,179)
Total debt service	<u>\$ 3,957,191</u>	<u>\$ 3,957,191</u>	<u>\$ 5,640,496</u>	<u>\$ (1,683,305)</u>
Total General Fund	<u><u>\$ 78,019,458</u></u>	<u><u>\$ 78,639,764</u></u>	<u><u>\$ 86,978,452</u></u>	<u><u>\$ (8,338,688)</u></u>

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund:				
Capital outlays / projects:				
Public works:				
LT run watershed project	\$ -	\$ 77,161	\$ 81,215	\$ (4,054)
Centre Hill HVAC replacement	-	200,000	175	199,825
Various drainage improvements	270,000	379,476	251,144	128,332
Rives road widening project	-	266,105	91,866	174,239
Traffic signal system	-	170,225	150,780	19,445
Other projects	38,502	95,714	13,658	82,056
Total public works	<u>\$ 308,502</u>	<u>\$ 1,188,681</u>	<u>\$ 588,838</u>	<u>\$ 599,843</u>
Education:				
Peabody Middle building renovation	\$ -	\$ -	\$ 568,285	\$ (568,285)
Wallnut Hill School - renovations	-	-	546,977	(546,977)
Petersburg High School - renovations	-	-	237,731	(237,731)
Other education	-	3,840	40,469	(36,629)
Total education	<u>\$ -</u>	<u>\$ 3,840</u>	<u>\$ 1,393,462</u>	<u>\$ (1,389,622)</u>
Parks, recreation and cultural:				
Seige Museum	\$ -	\$ 175,518	\$ 44,800	\$ 130,718
Lee Park - improvements	-	440,000	355,643	84,357
Petersburg Library Foundation	-	-	10,648	(10,648)
Total parks, recreation and cultural	<u>\$ -</u>	<u>\$ 615,518</u>	<u>\$ 411,091</u>	<u>\$ 204,427</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 15,312	\$ (15,312)
Interest and other debt costs	-	-	76,516	(76,516)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,828</u>	<u>\$ (91,828)</u>
Total Capital Projects Fund	<u><u>\$ 308,502</u></u>	<u><u>\$ 1,808,039</u></u>	<u><u>\$ 2,485,219</u></u>	<u><u>\$ (677,180)</u></u>

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds:				
Federal and State Projects Fund:				
Public Safety:				
Law Enforcement and Traffic Control:				
SAVY program	\$ -	\$ 2,558	\$ 899	\$ 1,659
Victim witness	195,567	195,567	188,126	7,441
Comprehensive community correction	280,630	280,630	257,959	22,671
Va. Juvenile community crime control	178,973	178,973	174,517	4,456
RCAPP - office on youth	33,997	23,997	23,267	730
POWER youth program employment	91,561	91,561	79,343	12,218
Other grants	741,889	2,413,257	579,260	1,833,997
Regent grant	14,362	16,362	16,039	323
Total public safety	\$ 1,536,979	\$ 3,202,905	\$ 1,319,410	\$ 1,883,495
Education:				
Summer lunch program	150,000	150,000	168,031	(18,031)
Total Federal and State Projects Fund	\$ 1,686,979	\$ 3,352,905	\$ 1,487,441	\$ 1,865,464
Community Development Act Fund:				
Planning and Community Development:				
Petersburg housing authority	\$ -	\$ 150,000	\$ 150,000	\$ -
Other C.A.R.E.S.	-	10,000	9,798	202
Salvation Army men's shelter	-	10,000	10,000	-
Other community development expenditures	117,379	164,221	162,466	1,755
Total planning and community development	\$ 117,379	\$ 334,221	\$ 332,264	\$ 1,957
Total Community Development Act Fund	\$ 117,379	\$ 334,221	\$ 332,264	\$ 1,957
Total Special Revenue Funds	\$ 1,804,358	\$ 3,687,126	\$ 1,819,705	\$ 1,867,421
Total Primary Government Expenditures	\$ 80,132,318	\$ 84,134,929	\$ 91,283,376	\$ (7,148,447)

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:				
Net investment in capital assets	\$ 5,664,798	\$ 14,392,808	\$ 12,924,280	\$ 11,349,587
Restricted	2,415,968	-	1,794,038	1,934,491
Unrestricted	7,586,029	12,502,877	12,353,730	12,306,724
Total governmental activities	<u>\$ 15,666,795</u>	<u>\$ 26,895,685</u>	<u>\$ 27,072,048</u>	<u>\$ 25,590,802</u>
Business-type activities:				
Net investment in capital assets	\$ 7,634,991	\$ 7,926,586	\$ 21,366,680	\$ 17,746,920
Restricted	-	-	5,917,000	5,536,340
Unrestricted	8,427,264	9,238,701	(3,233,323)	(2,998,388)
Total business-type activities	<u>\$ 16,062,255</u>	<u>\$ 17,165,287</u>	<u>\$ 24,050,357</u>	<u>\$ 20,284,872</u>
Primary government				
Net investment in capital assets	\$ 13,299,789	\$ 22,319,394	\$ 34,290,960	\$ 29,096,507
Restricted	2,415,968	-	7,711,038	7,470,831
Unrestricted	16,013,293	21,741,578	9,120,407	9,308,336
Total primary government	<u>\$ 31,729,050</u>	<u>\$ 44,060,972</u>	<u>\$ 51,122,405</u>	<u>\$ 45,875,674</u>

Table 1

2008	2009	2010	2011	2012	2013
\$ 16,802,876	\$ 16,440,386	\$ 17,879,326	\$ 15,534,169	\$ 23,120,077	\$ 18,479,417
2,086,098	1,898,698	1,894,824	4,459,923	8,371,649	8,699,721
9,695,632	16,616,660	19,403,458	19,465,464	13,043,070	10,032,624
<u>\$ 28,584,606</u>	<u>\$ 34,955,744</u>	<u>\$ 39,177,608</u>	<u>\$ 39,459,556</u>	<u>\$ 44,534,796</u>	<u>\$ 37,211,762</u>
\$ 25,697,774	\$ 36,423,288	\$ 37,420,508	\$ 38,529,251	\$ 41,540,929	\$ 40,518,560
5,151,624	4,568,423	3,861,693	3,049,996	2,198,555	1,334,606
(3,826,030)	(5,529,579)	(5,648,711)	(7,843,351)	(10,944,581)	(10,928,156)
<u>\$ 27,023,368</u>	<u>\$ 35,462,132</u>	<u>\$ 35,633,490</u>	<u>\$ 33,735,896</u>	<u>\$ 32,794,903</u>	<u>\$ 30,925,010</u>
\$ 42,500,650	\$ 52,863,674	\$ 55,299,834	\$ 54,063,420	\$ 64,661,006	\$ 58,997,977
7,237,722	6,467,121	5,756,517	7,509,919	10,570,204	10,034,327
5,869,602	11,087,081	13,754,747	11,622,113	2,098,489	(895,532)
<u>\$ 55,607,974</u>	<u>\$ 70,417,876</u>	<u>\$ 74,811,098</u>	<u>\$ 73,195,452</u>	<u>\$ 77,329,699</u>	<u>\$ 68,136,772</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government administration	\$ 3,763,561	\$ 3,494,039	\$ 3,601,990	\$ 3,678,612	\$ 4,409,342	\$ 4,476,479	\$ 3,953,282	\$ 4,288,629	\$ 4,689,240	\$ 5,024,964
Judicial administration	1,743,648	1,948,961	1,741,756	2,060,239	2,209,742	2,384,990	2,170,832	2,183,232	2,166,314	2,329,886
Public safety	20,163,440	20,868,048	23,288,625	24,641,604	26,424,002	28,266,556	29,031,529	29,859,320	31,073,384	29,534,876
Public works	8,559,864	9,489,249	12,827,885	14,099,461	12,120,847	14,737,685	13,225,076	12,756,453	15,391,709	13,624,539
Health and welfare	12,221,690	13,213,059	13,997,163	14,564,276	16,441,259	15,835,032	14,887,566	14,437,546	13,193,886	12,472,778
Education	12,859,893	11,474,709	9,266,725	9,204,061	9,461,387	10,789,591	11,160,050	9,815,846	9,157,346	11,476,574
Parks, recreation, and cultural	2,437,692	2,788,391	2,935,100	2,685,776	3,862,492	2,453,245	2,443,712	3,200,189	2,547,419	7,557,488
Community development	4,294,647	1,462,249	2,887,401	2,727,241	2,206,472	2,238,970	3,607,676	3,897,397	3,304,525	3,277,237
Interest and other fiscal charges	1,060,405	1,212,116	1,646,992	1,327,726	1,187,375	1,186,876	1,590,337	1,272,607	1,127,482	1,228,991
Total governmental activities expenses	\$ 67,104,840	\$ 65,950,821	\$ 72,193,637	\$ 74,988,996	\$ 78,322,918	\$ 82,369,424	\$ 82,070,060	\$ 81,711,219	\$ 82,651,305	\$ 86,527,333
Business-type activities:										
Public Utility	\$ 6,736,719	\$ 6,339,951	\$ 7,262,502	\$ 7,273,942	\$ 8,393,991	\$ 8,514,037	\$ 9,127,023	\$ 8,367,495	\$ 9,292,960	\$ 9,490,563
Mass transit	1,795,116	1,900,694	2,329,232	2,923,692	3,021,131	2,919,251	3,545,881	3,910,309	4,442,057	4,233,740
Golf Course	-	-	-	-	622,377	1,176,452	1,182,589	1,127,133	1,151,540	1,110,021
Total business-type activities expenses	\$ 8,531,835	\$ 8,240,645	\$ 9,591,734	\$ 10,197,634	\$ 12,037,499	\$ 12,609,740	\$ 13,855,493	\$ 13,404,937	\$ 14,886,557	\$ 14,834,324
Total primary government expenses	\$ 75,636,675	\$ 74,191,466	\$ 81,785,371	\$ 85,186,630	\$ 90,360,417	\$ 94,979,164	\$ 95,925,553	\$ 95,116,156	\$ 97,537,862	\$ 101,361,657
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 79,492	\$ -	\$ -	\$ 191,183	\$ -	\$ 15,442	\$ -	\$ -	\$ -	\$ 350,714
Judicial administration	474,459	602,102	724,635	899,881	1,112,344	562,801	860,011	889,978	1,000,340	615,372
Public safety	243,934	133,109	188,472	768,688	967,272	799,041	461,872	496,852	619,311	461,406
Public works	2,151,104	2,135,393	2,471,783	1,859,992	2,116,599	2,068,003	1,878,941	1,609,164	1,581,645	2,125,662
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	101,008	151,591	140,732	173,847	131,968	176,435	101,789	83,107	82,202	98,246
Community development	4,092	8,059	4,000	-	188,335	1,347	32,105	812	35,081	307,123
Operating grants and contributions:										
General government administration	295,711	326,271	324,298	351,357	373,318	344,481	302,633	240,278	305,189	291,559
Judicial administration	983,819	963,687	1,202,683	1,159,862	1,209,709	1,292,166	964,332	1,037,451	993,434	962,643
Public safety	6,615,562	11,979,795	6,908,857	8,262,300	8,763,661	7,490,017	8,143,893	7,104,801	7,504,260	7,096,135
Public works	3,905,936	3,940,452	6,248,403	4,299,951	4,468,129	4,620,981	4,565,451	4,957,983	4,907,577	5,001,123
Health and welfare	9,249,191	4,762,823	10,823,880	10,894,743	11,737,712	11,693,590	11,128,359	10,504,368	9,757,395	8,845,264
Education	-	-	-	317,452	-	-	-	-	-	-
Parks, recreation, and cultural	2,711,808	1,286,109	152,763	-	602,572	185,700	195,188	144,087	141,719	274,093
Community development	132,329	180,486	1,119,911	220,249	392,080	748,388	534,970	676,441	505,493	1,081,150
Capital grants and contributions:										
Public works	-	-	-	1,075,000	3,070,207	1,311,316	2,082,199	423,053	763,981	1,014,283
Education	-	559,911	-	-	-	4,430,000	3,000,000	3,000,000	-	-
Parks, recreation, and cultural	-	-	-	-	-	-	90,000	-	-	-
Community development	-	-	639,704	1,847,112	-	500,000	-	-	-	-
Total governmental activities program revenues	\$ 26,948,445	\$ 27,029,788	\$ 30,950,121	\$ 32,321,617	\$ 35,133,906	\$ 36,239,708	\$ 34,341,743	\$ 31,168,375	\$ 28,197,627	\$ 28,524,773

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Public Utility	\$ 6,233,829	\$ 6,391,549	\$ 6,263,961	\$ 6,540,056	\$ 7,037,608	\$ 7,123,929	\$ 9,419,189	\$ 8,125,447	\$ 9,539,367	\$ 9,130,177
Mass Transit	362,353	354,620	432,432	453,045	512,960	437,138	413,822	481,211	474,125	536,463
Golf course	-	-	-	-	188,080	565,943	599,448	565,626	683,792	709,000
Operating grants and contributions:										
Mass Transit	1,664,694	1,263,219	831,372	1,209,175	1,415,667	1,751,172	971,920	1,171,293	1,089,908	1,403,671
Capital grants and contributions										
Public Utility	-	-	-	420,558	2,210,427	1,597,206	-	-	558,422	-
Mass Transit	335,873	85,797	1,054,570	2,121,811	7,360,969	9,396,245	2,315,371	856,319	1,156,832	376,333
Total business-type activities program revenues	\$ 8,596,749	\$ 8,095,185	\$ 8,582,335	\$ 10,744,645	\$ 18,725,711	\$ 20,871,633	\$ 13,719,750	\$ 11,199,896	\$ 13,502,446	\$ 12,155,644
Total primary government program revenues	\$ 35,545,194	\$ 35,124,973	\$ 39,532,456	\$ 43,066,262	\$ 53,859,617	\$ 57,111,341	\$ 48,061,493	\$ 42,368,271	\$ 41,700,073	\$ 40,680,417
Net (expense) / revenue										
Governmental activities	\$ (40,156,395)	\$ (38,921,033)	\$ (41,243,516)	\$ (42,667,379)	\$ (43,189,012)	\$ (46,129,714)	\$ (47,728,317)	\$ (50,542,844)	\$ (54,453,678)	\$ (58,002,560)
Business-type activities	64,914	(145,460)	(1,009,399)	547,011	6,688,212	8,261,893	(135,743)	(2,205,041)	(1,384,111)	(2,678,680)
Total primary government net expense	\$ (40,091,481)	\$ (39,066,493)	\$ (42,252,915)	\$ (42,120,368)	\$ (36,500,800)	\$ (37,867,821)	\$ (47,864,060)	\$ (52,747,885)	\$ (55,837,789)	\$ (60,681,240)
General Revenues and Other Change in Net Position										
Governmental activities:										
General property taxes	\$ 24,538,651	\$ 23,233,023	\$ 24,990,058	\$ 26,502,531	\$ 28,860,512	\$ 33,090,055	\$ 35,991,155	\$ 34,691,569	\$ 34,093,970	\$ 33,726,929
Local sales and use taxes	3,466,521	3,568,160	3,827,026	3,815,937	3,995,564	3,796,848	3,396,411	3,667,579	3,755,828	3,738,656
Consumer utility taxes	3,242,163	3,239,247	3,130,198	2,493,943	1,578,832	1,778,414	1,678,216	1,691,546	1,658,993	1,761,728
Business license taxes	2,663,386	2,675,192	2,926,116	3,029,257	2,747,595	3,144,714	2,553,424	2,489,284	2,931,183	2,876,387
Motor Vehicle license taxes	606,624	588,524	598,616	593,977	595,329	533,365	491,904	493,869	511,083	502,714
Lodging taxes	304,151	272,139	301,209	428,595	470,393	435,520	375,201	340,894	294,194	273,899
Meals tax	1,086,430	1,130,653	1,201,759	1,286,205	1,459,964	1,316,975	1,361,103	1,376,528	1,559,147	2,211,886
Other local taxes	441,837	878,847	925,888	1,147,339	839,751	561,595	664,274	627,076	571,077	566,682
Unrestricted revenues from use of money and property										
Miscellaneous	277,929	380,724	506,158	477,504	507,218	371,424	367,179	346,203	383,397	397,947
Grants and contributions not restricted to specific programs	807,191	340,657	910,762	218,764	114,854	2,224,312	348,002	515,874	472,304	1,285,606
Gain/(Loss) on sale of assets	3,060,577	2,810,219	3,619,058	3,851,888	5,079,475	4,417,059	4,867,141	4,811,992	4,761,896	4,835,521
Transfers (net)	-	-	-	212,697	(66,671)	-	-	-	-	-
Total governmental activities	\$ 40,495,460	\$ 38,920,327	\$ 41,419,879	\$ 43,414,106	\$ 46,182,816	\$ 51,780,209	\$ 51,950,180	\$ 50,799,478	\$ 50,493,454	\$ 51,375,219
Business-type activities:										
Unrestricted revenues from use of money and property										
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ 50,284	\$ -	\$ 163,271	\$ 54,511	\$ -	\$ 6,051
Transfers	95,260	-	-	-	-	286,799	-	-	-	-
Total business-type activities	\$ 95,260	\$ 197,058	\$ 1,516,969	\$ 644,531	\$ 50,284	\$ 176,871	\$ 307,101	\$ 307,447	\$ 499,618	\$ 808,787
Total primary government	\$ 40,590,720	\$ 39,117,385	\$ 42,936,848	\$ 44,058,637	\$ 46,233,100	\$ 51,957,080	\$ 52,257,281	\$ 51,106,925	\$ 50,993,072	\$ 52,184,006
Change in Net Position										
Governmental activities	\$ 339,065	\$ (706)	\$ 176,363	\$ 746,727	\$ 2,993,804	\$ 5,650,495	\$ 4,221,863	\$ 256,634	\$ (3,960,224)	\$ (6,627,341)
Business-type activities	160,174	51,598	507,570	1,191,542	6,738,496	8,438,764	171,358	(1,897,594)	(884,493)	(1,869,893)
Total primary government	\$ 499,239	\$ 50,892	\$ 683,933	\$ 1,938,269	\$ 9,732,300	\$ 14,089,259	\$ 4,393,221	\$ (1,640,960)	\$ (4,844,717)	\$ (8,497,234)

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
2004	\$ 24,538,651	\$ 3,466,521	\$ 3,242,163	\$ 2,663,386	\$ 606,624	\$ 304,151	\$ 1,086,430	\$ 441,837	\$ 36,349,763
2005	23,233,023	3,568,160	3,239,247	2,675,192	588,524	272,139	1,130,653	878,847	35,585,785
2006	24,990,058	3,827,026	3,130,198	2,926,116	598,616	301,209	1,201,759	925,888	37,900,870
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

CITY OF PETERSBURG, VIRGINIA

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

	2004	2005	2006	2007	2008
General fund					
Nonspendable:					
Inventory and land held for resale	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund loans	-	-	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Grants	-	-	-	-	-
Committed:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Land acquisition	-	-	-	-	-
Rives Road widening	-	-	-	-	-
Walnut Hill Elementary School	-	-	-	-	-
Employee bonuses	-	-	-	-	-
Petersburg Public School Operations Center	-	-	-	-	-
Health and welfare	-	-	-	-	-
Assigned:					
General government	-	-	-	-	-
Police Department	-	-	-	-	-
Fire Department	-	-	-	-	-
Jail	-	-	-	-	-
Engineering	-	-	-	-	-
Street maintenance	-	-	-	-	-
Building maintenance	-	-	-	-	-
Library	-	-	-	-	-
Tourism	-	-	-	-	-
Other purposes	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved:					
Inventory	99,716	110,772	3,976,588	4,695,716	4,652,161
Asset forfeiture	-	-	-	105,999	194,000
Capital Projects	1,796,800	2,061,010	1,660,397	926,096	-
Debt Service	-	-	-	515,000	-
Landfill closure/post-closure monitoring	-	-	-	1,500,000	1,750,000
Encumbrances	681,365	1,315,060	709,027	441,550	1,470,314
Unreserved, undesignated	7,776,015	8,946,673	9,221,441	10,227,794	11,935,086
Total general fund	\$ 10,353,896	\$ 12,433,515	\$ 15,567,453	\$ 18,412,155	\$ 20,001,561
All other governmental funds					
Nonspendable:					
Interfund loans - capital projects	\$ -	\$ -	\$ -	\$ -	\$ -
Cemetery Perpetual care and library	-	-	-	-	-
McKenney scholarships	-	-	-	-	-
Restricted:					
Grants	-	-	-	-	-
School projects	-	-	-	-	-
Assigned to:					
LT Run Watershed Study - stream restoration	-	-	-	-	-
Centre Hill drainage improvement	-	-	-	-	-
Passenger train station	-	-	-	-	-
Prince George PPEA project	-	-	-	-	-
Poor Creek Pump Station	-	-	-	-	-
Health Department	-	-	-	-	-
School projects	-	-	-	-	-
Other purposes	-	-	-	-	-
Reserved:					
Capital projects	619,168	197,425	-	-	1,804,898
Special revenue funds	-	-	-	535,403	122,035
Permanent funds	-	-	-	1,828,492	1,892,098
Unreserved, reported in:					
Non-major:					
Special revenue funds (deficit)	211,158	381,251	309,582	(99,608)	(74,801)
Capital projects fund	-	-	80,274	(63,717)	(5,305,826)
Permanent funds	1,697,438	1,688,016	1,794,038	-	-
Total all other governmental funds	\$ 2,527,764	\$ 2,266,692	\$ 2,183,894	\$ 2,200,570	\$ (1,561,596)
Total fund balances	\$ 12,881,660	\$ 14,700,207	\$ 17,751,347	\$ 20,612,725	\$ 18,439,965

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

Table 4

	2009	2010	2011	2012	2013
\$	-	-	5,015,776	4,891,455	5,234,818
	-	-	8,225,957	9,148,704	9,148,704
	-	-	2,631,120	3,080,364	3,509,985
	-	-	-	172,560	172,560
	-	-	-	-	102,786
	-	-	-	-	125,780
	-	-	-	-	28,422
	-	-	-	-	10,299
	-	-	-	-	12,901
	-	-	225,000	-	-
	-	-	10,000	-	-
	-	-	121,000	-	-
	-	-	750,000	-	-
	-	-	100,000	-	-
	-	-	63,000	-	-
	-	-	3,658	-	-
	-	-	75,190	-	-
	-	-	8,080	-	-
	-	-	23,595	-	-
	-	-	14,080	-	-
	-	-	459,944	-	-
	-	-	44,800	-	-
	-	-	2,710	-	-
	-	-	1,828	-	-
	-	-	4,525	-	-
	-	-	6,402,849	4,615,214	-
					1,725,979
	4,900,400	4,990,308	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	517,929	-	-	-	-
	14,837,698	15,403,526	-	-	-
\$	<u>20,256,027</u>	<u>20,393,834</u>	<u>24,183,112</u>	<u>21,908,297</u>	<u>20,072,234</u>
\$	-	-	279,781	279,781	-
	-	-	1,828,803	1,773,666	1,760,833
	-	-	19,001	19,009	19,014
	-	-	448,435	462,609	293,342
	-	-	-	2,863,440	2,943,987
	-	-	638,400	-	-
	-	-	57,518	-	-
	-	-	164,000	-	-
	-	-	499,540	-	-
	-	-	2,368,980	-	-
	-	-	335,575	-	-
	-	-	22,130	-	-
	-	-	1,215,436	-	-
	2,252,155	3,989,903	-	-	-
	136,851	277,931	-	-	-
	1,898,698	1,894,824	-	-	-
			-	-	-
	105,620	342,777	-	-	-
	-	-	-	-	-
	-	-	-	-	-
\$	<u>4,393,324</u>	<u>6,505,435</u>	<u>7,877,599</u>	<u>5,398,505</u>	<u>5,017,176</u>
\$	<u>24,649,351</u>	<u>26,899,269</u>	<u>32,060,711</u>	<u>27,306,802</u>	<u>25,089,410</u>

CITY OF PETERSBURG, VIRGINIA

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

	2004	2005	2006	2007	2008
Revenues:					
General property taxes	\$ 22,900,222	\$ 23,622,768	\$ 24,706,331	\$ 26,546,575	\$ 28,104,541
Other local taxes	11,811,112	12,352,762	12,910,812	13,700,105	13,797,559
Permits, privilege fees and regulatory licenses	304,760	117,670	169,597	547,715	656,809
Fines and forfeitures	494,797	475,327	596,864	756,124	1,071,755
Revenue from use of money and property	277,929	380,724	506,158	477,504	507,218
Charges for services	2,254,532	2,437,257	2,441,216	2,802,449	2,787,954
Miscellaneous	807,191	900,568	910,762	2,308,411	2,474,098
Recovered costs	763,081	748,552	213,361	124,005	466,502
Intergovernmental:					
Commonwealth	18,712,177	18,955,253	21,961,358	21,677,880	24,218,725
Federal	8,242,756	7,294,590	8,367,269	7,593,655	7,099,686
Total revenues	\$ 66,568,557	\$ 67,285,471	\$ 72,783,728	\$ 76,534,423	\$ 81,184,847
Expenditures:					
General government administration	\$ 3,358,575	\$ 3,465,275	\$ 3,556,652	\$ 3,678,061	\$ 4,116,450
Judicial administration	1,624,507	1,802,404	1,722,388	1,895,420	2,139,494
Public safety	20,205,509	21,488,875	28,969,711	25,312,175	26,459,229
Public works	8,561,819	8,890,604	8,877,879	11,173,225	17,240,364
Health and welfare	12,054,331	13,073,903	13,847,937	14,296,165	16,225,483
Education	11,568,711	10,847,658	9,400,152	8,838,660	14,302,941
Parks, recreation, and cultural	2,312,585	3,004,597	3,833,719	5,549,782	4,153,537
Community development	1,032,010	2,037,795	3,309,515	2,861,651	2,840,006
Capital outlays and projects	1,271,968	-	-	-	-
Debt service:					
Principal retirement	1,396,946	1,443,848	1,720,556	2,590,060	2,960,058
Interest and other fiscal charges	1,245,890	1,246,777	1,356,881	1,448,255	1,449,801
Nondepartmental	4,298,117	677,323	1,315,624	707,417	803,240
Total expenditures	\$ 68,930,968	\$ 67,979,059	\$ 77,911,014	\$ 78,350,871	\$ 92,690,603
Excess (deficiency) of revenues over expenditures	\$ (2,362,411)	\$ (693,588)	\$ (5,127,286)	\$ (1,816,448)	\$ (11,505,756)
Other financing sources (uses):					
Transfers in	\$ 692,653	\$ 658,961	\$ 1,381,953	\$ 1,082,083	\$ 1,014,136
Transfers (out)	(692,653)	(856,019)	(2,692,300)	(1,726,614)	(1,014,136)
Proceeds from capital leases	-	-	508,329	205,500	232,996
Sale of assets	-	-	-	-	-
Issuance of debt	1,624,057	5,750,088	6,775,277	5,116,857	9,100,000
Premium on debt issued	-	-	-	-	-
Proceeds from refunding bonds	7,485,000	-	-	-	-
Payment to refunded bond escrow agent	(5,777,200)	(3,040,895)	-	-	-
Retirement of bond anticipation	(1,500,000)	-	-	-	-
Total other financing sources (uses)	\$ 1,831,857	\$ 2,512,135	\$ 5,973,259	\$ 4,677,826	\$ 9,332,996
Net changes in fund balances	\$ (530,554)	\$ 1,818,547	\$ 845,973	\$ 2,861,378	\$ (2,172,760)
Debt service as a percentage of noncapital expenditures	3.91%	4.06%	3.99%	5.64%	4.79%

Table 5

	2009	2010	2011	2012	2013
\$	32,299,130	\$ 34,703,935	\$ 34,039,946	\$ 33,388,519	\$ 33,787,723
	13,484,673	12,445,767	12,602,485	11,281,505	11,931,952
	660,299	483,718	426,106	559,870	589,836
	468,464	684,907	673,606	786,925	784,879
	371,424	367,179	346,203	383,397	397,947
	2,494,305	2,166,093	1,980,201	1,971,784	2,583,808
	6,654,314	3,838,002	3,928,274	472,304	1,285,606
	378,789	315,212	638,918	35,966	1,153,960
	22,958,947	23,278,884	21,417,443	23,474,260	23,044,851
	7,727,510	7,180,048	6,567,302	6,166,684	6,356,920
\$	<u>87,497,855</u>	<u>\$ 85,463,745</u>	<u>\$ 82,620,484</u>	<u>\$ 78,521,214</u>	<u>\$ 81,917,482</u>
\$	4,360,569	\$ 3,826,456	\$ 4,098,854	\$ 4,623,610	\$ 5,754,005
	2,184,145	1,973,393	1,967,127	1,942,608	2,179,386
	26,566,138	27,441,826	28,443,133	29,063,421	28,748,274
	14,156,676	11,689,667	10,264,734	13,148,715	11,822,628
	15,499,383	14,668,974	14,086,084	13,035,375	12,077,260
	13,502,674	10,474,051	13,016,373	10,270,452	12,464,698
	2,659,418	2,431,519	2,470,427	2,366,214	7,711,017
	2,192,083	3,574,257	3,497,736	3,422,572	3,210,767
	-	-	-	-	-
	6,248,664	6,270,000	5,998,607	3,520,535	4,422,975
	1,497,372	2,400,439	1,337,602	1,108,836	1,309,349
	959,214	1,149,019	1,247,187	1,968,166	1,583,016
\$	<u>89,826,336</u>	<u>\$ 85,899,601</u>	<u>\$ 86,427,864</u>	<u>\$ 84,470,504</u>	<u>\$ 91,283,375</u>
\$	<u>(2,328,481)</u>	<u>(435,856)</u>	<u>(3,807,380)</u>	<u>(5,949,290)</u>	<u>(9,365,893)</u>
\$	1,357,056	\$ 178,538	\$ 451,234	\$ 493,471	\$ 1,291,148
	(1,247,128)	(322,368)	(704,170)	(993,090)	(2,093,885)
	782,997	62,106	379,650	165,000	1,030,747
	-	350,000	-	-	-
	7,360,000	8,560,000	396,000	1,530,000	5,000,000
	284,941	3,035	-	-	-
	-	-	2,686,689	-	3,751,828
	-	-	(2,596,254)	-	(1,831,338)
	-	-	-	-	-
\$	<u>8,537,866</u>	<u>\$ 8,831,311</u>	<u>\$ 613,149</u>	<u>\$ 1,195,381</u>	<u>\$ 7,148,500</u>
\$	<u>6,209,385</u>	<u>\$ 8,395,455</u>	<u>\$ (3,194,231)</u>	<u>\$ (4,753,909)</u>	<u>\$ (2,217,393)</u>
	<u>9.41%</u>	<u>10.44%</u>	<u>9.11%</u>	<u>5.81%</u>	<u>6.49%</u>

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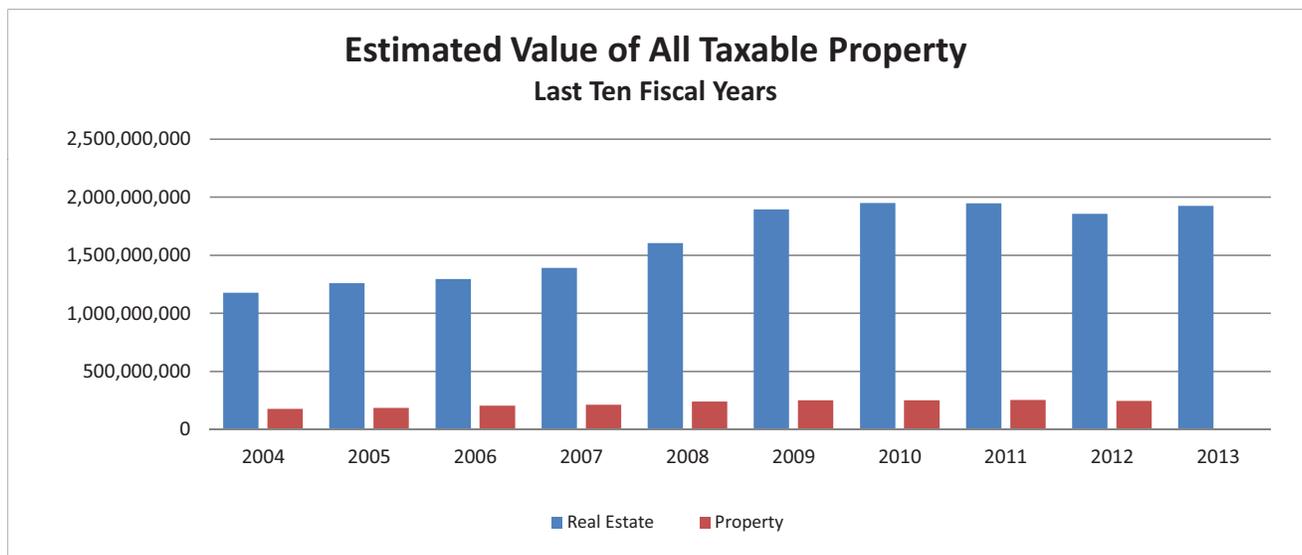
Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

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
2004	\$ 22,900,222	\$ 3,466,521	\$ 3,242,163	\$ 2,663,386	\$ 606,624	\$ 304,151	\$ 1,086,430	\$ 441,837	\$ 34,711,334
2005	23,622,768	3,568,160	3,239,247	2,675,192	588,524	272,139	1,130,653	878,847	35,975,530
2006	24,706,331	3,827,026	3,130,198	2,926,116	598,616	301,209	1,201,759	925,888	37,617,143
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

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)
2004	\$ 1,178,266,198	\$ 177,260,970	\$ 1,355,527,168	\$ 1.76
2005	1,259,301,355	187,029,042	1,446,330,397	1.73
2006	1,296,398,319	204,712,608	1,501,110,927	1.75
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

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
2004	\$ 1.41	\$ 4.30	\$ 3.80	\$ 1.41
2005	1.38	4.30	3.80	1.38
2006	1.38	4.30	3.80	1.38
2007	1.35	4.40	3.80	1.35
2008	1.35	4.40	3.80	1.35
2009	1.35	4.40	3.80	1.35
2010	1.35	4.40	3.80	1.35
2011	1.35	4.40	3.80	1.35
2012	1.35	4.40	3.80	1.35
2013	1.35	4.40	3.80	1.35

Source - Commissioner of the Revenue

CITY OF PETERSBURG, VIRGINIA

Principal Business Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2013			Rank	Percentage of Total Assessed Valuation
	Real Property Valuation	Personal Property Valuation	Total Valuation		
Petersburg Hospital LLC	\$ 98,710,100	\$ 10,171,396	\$ 108,881,496	1	4.89%
B. I. Chemicals	28,564,600	63,131,748	91,696,348	2	4.12%
Virginia Power	7,362,921	58,927,052	66,289,973	3	2.99%
Brenco Properties	18,309,300	12,556,034	30,865,334	4	1.39%
Addison at Crater Woods	26,628,600		26,628,600	5	1.20%
Harrison Creek	18,732,700		18,732,700	6	0.84%
Verizon Virginia Inc.	1,416,607	13,951,712	15,368,319	7	0.69%
Georgetown Square Associates	14,233,000		14,233,000	8	0.64%
Columbia Gas of Virginia, Inc.	647,665	13,225,304	13,872,969	9	0.62%
South Crater Square	13,524,500		13,524,500	10	0.61%
Boars Head	7,989,400	4,675,859	12,665,259	11	0.57%
109 Perry St. LLC	11,942,900	-	11,942,900	12	0.54%
Wal-Mart	10,188,300	1,175,218	11,363,518	13	0.51%
Infra-Metals LLC	7,492,300	3,619,353	11,111,653	14	0.50%
Inland Paperboard & Packing Company	-	-	-		
Titmus Optical Company	-	-	-		
Total	\$ 265,742,893	\$ 181,433,676	\$ 447,176,569		20.11%

Source: Commissioner of the Revenue

Table 9

2004				
Real Property Valuation	Personal Property Valuation	Total Valuation	Rank	Percentage of Total Assessed Valuation
\$ 21,704,700	\$ 44,920	\$ 21,749,620	5	1.60%
22,192,600	34,643,000	56,835,600	1	4.19%
37,097,030	144,693	37,241,723	2	2.75%
15,221,700	11,511,049	26,732,749	4	1.97%
-	-	-		-
-	-	-		-
28,617,354		28,617,354	3	2.11%
13,014,000	15,219	13,029,219	6	0.96%
12,146,452	1,645	12,148,097	7	0.90%
-	-	-		-
-	-	-		-
-	-	-		-
9,102,400	670,717	9,773,117	8	0.72%
-	-	-		-
4,989,600	3,306,785	8,296,385	9	0.61%
5,803,100	2,337,084	8,140,184	10	0.60%
<u>\$ 169,888,936</u>	<u>\$ 52,675,112</u>	<u>\$ 222,564,048</u>		<u>16.41%</u>

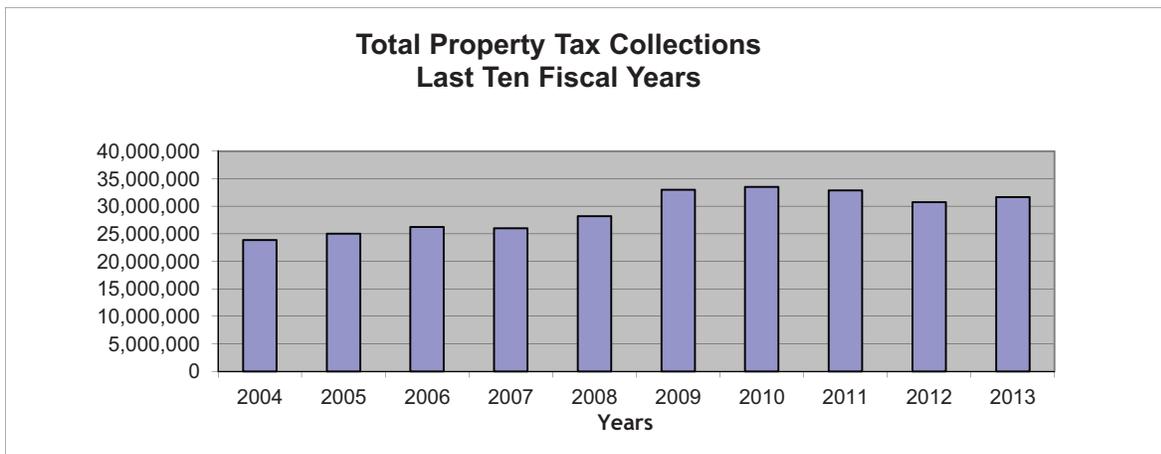
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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Tax Collections				Outstanding Delinquent	
				Delinquent		Total		At End of Fiscal Year (2)	As Percent of Current Levy
				Amount	As Percent of Outstanding Delinquent Taxes	Amount	As Percent of Current Levy		
2004	\$ 23,882,224	\$ 23,153,198	96.95%	\$ 717,712	6343.80%	\$ 23,870,910	99.95%	\$ 11,314	0.05%
2005	25,050,533	23,334,254	93.15%	1,712,631	46947.12%	25,046,885	99.99%	3,648	0.01%
2006	26,220,677	24,386,327	93.00%	1,828,614	31879.60%	26,214,941	99.98%	5,736	0.02%
2007	26,039,276	23,249,391	89.29%	2,767,343	12276.39%	26,016,734	99.91%	22,542	0.09%
2008	28,468,895	26,388,079	92.69%	1,835,959	749.81%	28,224,038	99.14%	244,857	0.86%
2009	33,415,398	31,253,720	93.53%	1,737,746	409.91%	32,991,466	98.73%	423,932	1.27%
2010	34,297,170	32,267,620	94.08%	1,275,080	169.00%	33,542,700	97.80%	754,470	2.20%
2011	34,058,168	31,830,367	93.46%	1,043,172	88.06%	32,873,539	96.52%	1,184,629	3.48%
2012	32,693,624	30,092,517	92.04%	627,050	34.24%	30,719,567	93.96%	1,831,328	5.60%
2013	33,280,733	31,079,168	93.38%	606,804	15.68%	31,685,972	95.21%	3,869,558	11.63%

(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				
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes Payable	School Qualified Zone Academy Bonds
2004	\$ 16,113,660	\$ 7,275,000	\$ 64,348	\$ -	4,142,167
2005	15,335,974	6,850,000	1,108,112	350,000	5,678,838
2006	15,036,650	6,425,000	1,402,397	5,732,712	5,678,838
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

(1) United States Census

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

N/A - Data not available

Business-Type Activities						
General Obligation Bonds	Notes Payable	Capital Leases	Total Primary Government	Population (1)	Percentage of Personal Income (2)	Net Obligations per Capita
\$ 6,161,388	\$ -	\$ 180,008	\$ 33,936,571	33,740	1.58%	\$ 1,006
5,544,075	-	436,237	35,303,236	33,740	1.57%	1,046
4,823,338	-	541,694	39,640,629	33,740	1.66%	1,175
4,092,568	-	510,243	42,054,802	33,740	1.67%	1,246
3,600,988	4,000,000	650,086	48,454,454	33,740	1.84%	1,436
6,860,933	-	423,488	49,772,277	33,740	N/A	1,475
6,097,584	-	395,649	51,735,406	32,909	N/A	1,572
5,707,673	-	281,978	46,099,302	32,420	N/A	1,422
5,310,603	-	247,334	43,842,053	32,420	N/A	1,352
5,031,261	-	155,832	46,999,470	32,420	N/A	1,450

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	Debt Payable From Enterprise Fund Revenues	Net Bonded Debt	Percentage of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2004	33,740	\$ 1,355,527,168	\$ 23,388,660	\$ 6,161,388	\$ 29,550,048	2.18%	\$ 876
2005	33,740	1,446,330,397	22,185,974	5,544,075	27,730,049	1.92%	822
2006	33,740	1,501,110,927	21,461,650	4,823,338	26,284,988	1.75%	779
2007	33,740	1,606,297,755	19,767,403	4,092,568	23,859,971	1.49%	707
2008	33,740	1,845,761,244	18,269,013	3,600,988	21,870,001	1.18%	648
2009	33,740	2,145,920,000	23,754,067	6,860,933	30,615,000	1.43%	907
2010	32,909	2,203,806,896	30,392,417	6,097,584	36,490,001	1.66%	1,109
2011	32,420	2,201,908,017	28,838,328	5,707,673	34,546,001	1.57%	1,066
2012	32,420	2,103,969,029	27,815,398	5,310,603	33,126,001	1.57%	1,022
2013	32,420	2,172,997,945	31,257,281	5,031,261	36,288,542	1.67%	1,119

(1) United States Census

(2) From Table 7

Computation of Direct and Overlapping Bonded Debt and Legal Debt Margin
 Fiscal Year Ended June 30, 2013

	<u>Net Bonded Debt</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
City of Petersburg (1)	\$ 36,288,542	100%	\$ 36,288,542
Total assessed value of real estate			\$ <u>1,857,317,235</u>
10% legal debt limit			\$ <u>185,731,724</u>
Total outstanding debt (2)			\$ <u><u>45,055,318</u></u>

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

The City of Petersburg has not exceeded its legal debt margin.

(1) Includes general obligation bonded debt

(2) Includes bonds and other interest-bearing indebtedness, excludes capital leases.

The City of Petersburg has no overlapping debt.

Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Revenues and Other Charges	Less: Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Public Utility Fund:							
2004	\$ 6,329,089	\$ 6,209,779	\$ 119,310	\$ 625,867	\$ 333,947	\$ 959,814	0.12
2005	6,391,549	5,947,644	443,905	969,152	359,294	1,328,446	0.33
2006	6,263,961	5,968,512	295,449	720,737	190,442	911,179	0.32
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
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

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

<u>Fiscal Year</u>	<u>Registered Voters</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>	<u>Population (1)</u>
2004	18,096	5,190	10.10%	32,704
2005	18,096	5,034	7.10%	32,352
2006	18,027	4,854	6.60%	31,853
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

Census Statistics

	<u>Population</u>			<u>Per Capita Income</u>	<u>Median Household Income</u>
	<u>Age Distribution</u>		<u>Total</u>		
	<u>Under 18</u>	<u>18 & over</u>			
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
For the Fiscal Year Ending June 30, 2013

Company	Description of Business	Approximate Employment	
		Current	Percentage of Total City Employment
Southside Regional Medical Center	Hospital medical services	1000+	7.39%
Amsted Rail Company, Inc.	Roller bearings	500-600	4.07%
B. I. Chemicals	Pharmaceuticals	300-400	2.59%
Horizon Mehtal Health Management, Inc.	Medical services	200-300	1.85%
Wal-Mart	Retail sales	200-300%	1.85%
District 19 Mental Health and Retardation Services	Medical services	100-200	1.11%
Beverly Home Care	Medical services	100-200	1.11%
Quality Plus Service	Engineering/Construction	100-200	1.11%
Rehabilitation Hospital, Inc	Medical services	100-200	1.11%
Good Neighbor Homes, Inc	Nursing & residential care	100-200	1.11%
Virginia Linen	Linen processing	100-200	1.11%

Source: Individual City departments

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

People who live and work in the area	2,589
In-commuters	9,592
Total City employment	<u>12,181</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City:										
Salaried	696	696	681	686	695	704	772	789	770	773
Part-time temporary	239	239	226	234	252	299	299	332	320	322
Public safety										
Police protection	143	147	147	147	130	145	160	160	160	160
Fire protection	86	95	94	94	96	95	97	97	100	98
Jail facilities	86	86	87	88	91	89	88	88	94	94
School Board										
Administrative personnel	41	42	42	54	38	38	37.5	33.5	37	37
Instructional personnel	434.5	436	432	429	465	447	557	529.5	617	617
All other personnel	383.5	378.5	415	403	291	287	173.5	167.5	183	183
Totals *	<u>1,794</u>	<u>1,792</u>	<u>1,796</u>	<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>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police protection:					
Law violations	9,767	22,223	20,398	19,190	9,666
Traffic violations	8,854	6,729	8,207	11,961	8,866
Arrests reported:					
Adults	4,712	4,551	4,227	4,428	3,433
Juveniles	379	377	370	315	232
Calls for service	64,357	59,289	61,265	55,193	53,023
Jail facility inmates:					
Jail	203	193	182	210	213
Jail annex	70	62	61	28	21
Riverside Regional	89	89	89	148	61
Community Development:					
Building permits:					
Number issued	1,371	904	1,245	1,336	1,444
Valuation	\$ 16,826,102	\$ 26,849,246	\$ 44,724,170	\$ 116,953,757	\$ 88,818,121
Public Utilities:					
Number of active consumers	11,374	11,395	11,399	10,365	11,028
Water purchased (annually)-gallons	1.7 billion	1.7 billion	1.7 billion	1.7 billion	1.64 billion

n/a = not available at publication

Source: Individual City departments

Table 18

2009	2010	2011	2012	2013
n/a	n/a	n/a	n/a	6,776
n/a	n/a	11,011	11,194	8,390
n/a	n/a	2,679	3,727	3,194
n/a	n/a	105	111	95
n/a	n/a	70,564	70,892	37,572
202	202	184	140	191
48	227	30	25	26
128	124	132	115	86
1,249	1,021	925	1,084	904
\$ 42,719,115	\$ 38,289,390	\$ 60,225,074	\$ 30,400,872	\$ 38,993,367
10,467	11,247	11,165	11,165	11,388
1.654 billion	1.750 billion	1.900 billion	1.800 billion	1.73 billion

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire protection:										
Number of stations	4	4	4	4	4	4	4	4	4	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	3,090	3,090	3,090
Traffic signals:										
Signalized intersections	57	57	57	57	57	57	57	57	58	58
Lights	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,450	1,450
Heads	467	467	467	467	467	467	467	467	464	464
Curbs	39	39	39	39	39	39	39	39	39	39
School signals (flashing lights)	11	11	11	11	11	11	11	11	18	18
Other signals (flashing lights)	4	4	4	4	4	4	4	4	7	7
Caution flashing lights	17	17	17	17	17	17	17	17	14	14
Pedestrian signals	54	54	54	54	54	54	54	54	112	112
Sewers:										
Storm - miles	19	19	19	19	19	19	19	19	19	19
Sanitary - miles	191	191	191	191	191	191	191	191	211	211
Public Utilities:										
Water mains - miles	254	254	254	254	254	254	254	254	275	275
Number of hydrants	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,378	1,378
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	1
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
Swimming pools	2	2	2	2	2	2	2	2	1	1
Tennis courts (lighted)	14	14	14	14	14	14	14	14	14	14
Recreation centers	3	3	3	3	3	3	3	3	3	3
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
Middle school grades 6-7	2	2	2	2	2	2	1	1	1	1
Elementary schools K-5	7	7	7	7	7	7	4	4	4	4
Early childhood center	-	-	-	-	-	-	1	1	1	1

Source: Individual City departments

**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, 2013, 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 dated December 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Petersburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 13, 2013

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Honorable Members of 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Petersburg, Virginia's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 City of Petersburg, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, 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 major federal programs for the year ended June 30, 2013.

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 a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Petersburg, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 13, 2013

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013

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>Direct payments:</u>			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	\$ 138,518
<u>Pass through payments:</u>			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110	<u>776,534</u>
Total Department of Agriculture			<u>\$ 915,052</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Federal Transit Cluster:			
Highway Planning and Construction	20.205	N/A	\$ 366,207
Federal Transit Formula Grants	20.507	N/A	1,005,970
State and Community Highway Safety	20.600	N/A	64,595
AARA - Federal Transit - Capital Investment Grants	20.500	N/A	31,256
<u>Pass through payments:</u>			
Division of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	Unknown	<u>11,225</u>
Total Department of Transportation			<u>\$ 1,479,253</u>
<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	\$ 1,081,150
Lead Based Hazard Control in Privately-Owned Housing	14.900	Unknown	<u>101,129</u>
Total Department of Housing and Urban Development			<u>\$ 1,182,279</u>
<u>NATIONAL ENDOWMENT FOR THE ARTS:</u>			
<u>Pass through payments:</u>			
Promotion of the Arts Partnership Agreements	45.025	Unknown	<u>\$ 5,000</u>
<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	\$ 31,648
Temporary Assistance for Needy Families	93.558	0400111	983,028
Refugee and Entrant Assistance-State Administered Programs	93.566	0500111	2,585
Low-Income Home Energy Assistance	93.568	0600411	80,980

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013 (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 HEALTH AND HUMAN SERVICES: (Continued)</u>			
<u>Pass through payments: (Continued)</u>			
Department of Social Services: (Continued)			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	133,365
Chafee Education and Training Vouchers Program	93.599	9160110	380
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110	4,735
Foster Care-Title IV-E	93.658	1100111	472,538
Adoption Assistance	93.659	1120111	551,656
Social Services Block Grant	93.667	1000111	766,472
Chafee Foster Care Independence Program	93.674	9150110	11,142
Children's Health Insurance Program	93.767	0540111	18,606
Medical Assistance Program	93.778	1200111	467,911
Total Department of Health and Human Services			\$ 3,525,046
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program / Grants to Units of Local Government	16.804	Unknown	\$ 30,926
Bulletproof Vest Partnership Program	16.607	Unknown	15,956
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	96,139
Total Department of Justice			\$ 143,021
<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	\$ 69,679
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	Unknown	\$ 34,975
Emergency Operations Center	97.052	Unknown	921
Total Department of Homeland Security			\$ 35,896
Total Primary Government			\$ 7,355,226

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013 (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:			
DEPARTMENT OF AGRICULTURE:			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution	10.555	Unknown	\$ 110,663
Department of Education:			
National School Lunch Program	10.555	17901-40623	1,286,879
National School Breakfast Program	10.553	17901-40591	398,885
Fresh Fruit and Vegetable Program	10.582	17901-40599	173,250
Total Department of Agriculture			<u>\$ 1,969,677</u>
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction	12.000	Unknown	<u>\$ 66,513</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass through payments:</u>			
County of Richmond, Virginia:			
Head Start	93.600	Unknown	<u>\$ 1,000,353</u>
DEPARTMENT OF EDUCATION:			
<u>Pass through payments:</u>			
Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 2,586,277
ARRA Title I Grants to Local Educational Agencies	84.389	17901-42913	
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	17901-43071	1,198,097
ARRA Special Education Preschool grants	84.392	N/A	30,289
Career and Technical Education - Basic grants to states	84.048	17901-61095	135,919
Education for Homeless Children and Youth	84.196	N/A	12,000
Twenty-first Century Community Learning Centers	84.287	17901-60565	369,258
Education Technology State Grants	84.318	17901-61600	1,263
School Improvement Grants Cluster:			
School Improvement Grants	84.377	17901-43040	991,307
AARA School Improvement Grants	84.388	N/A	1,039,378
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)			
English Language Acquisition State Grants	84.334	N/A	3,844
Improving Teacher Quality State Grants	84.365	17901-60512	9,463
ARRA Education Jobs Fund	84.367	17901-61480	397,321
ARRA Education Jobs Fund	84.410	17901-62700	199,761
Total Department of Education			<u>\$ 6,974,177</u>
Total Component Unit School Board			<u>\$ 10,010,720</u>
Total Expenditures of Federal Awards			<u>\$ 17,365,946</u>

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

CITY OF PETERSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2013

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, 2013 . The information in this Schedule is presented in accordance with the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* . 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	\$	4,410,164
Capital Projects		366,207
Nonmajor governmental funds		1,580,548
Mass Transit		1,037,226
School Board		<u>10,010,720</u>

Total federal expenditures per basic financial statements	\$	17,404,865
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Amounts required to reconcile federal revenues to expenditures:

Less: FEMA funds for prior year expenditures		<u>(38,919)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>17,365,946</u></u>
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CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
14.228	Community Development Block Grant
84.010	Title I Grants to Local Educational Agencies
84.027 / 84.391	Special Education Cluster (IDEA)
84.377 / 84.388	School Improvement Grant Cluster
84.410	Education Jobs Fund
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	\$520,978
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

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