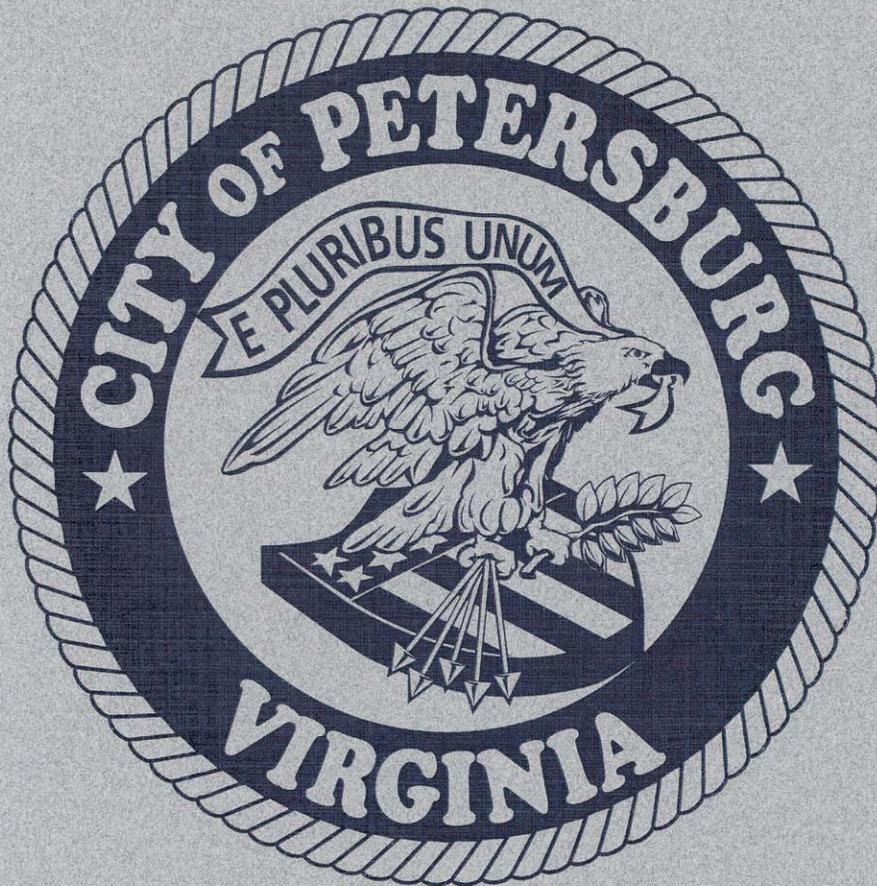


**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

City of Petersburg, Virginia



**For the Fiscal Year
ended June 30, 2012**

City of Petersburg, Virginia

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

Prepared By:

Department of Finance

CITY OF PETERSBURG, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

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**CITY OF PETERSBURG, VIRGINIA
CITY COUNCIL AND EXECUTIVE OFFICERS
JUNE 30, 2012**

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
William Hefty 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 Acting Director of Public Works
Thomas C. Hairston Fire Chief
Claristine Moore Director of Human Resources
John I. Dixon III Chief of Police

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Petersburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

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City of Petersburg

Department of Finance
(804) 733-2337 Office
(804) 733-2434 Fax

City Hall Annex
Petersburg, VA 23803

December 18, 2012

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, 2012, 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 a separately issued 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; recreations 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 employs approximately 4,100 civilians. Fort Lee was a net gainer for the last round of Base Realignment and Closure. The base is projected to grow from a current population of 36,000 to approximately 80,000 in the year 2011. The expansion at Fort Lee has commenced and it is expected that \$2 billion in new construction will occur in the next four years.

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, employs over 1,400 people. SRMC was approved for a new 300 bed hospital by the State of Virginia. Work is complete and the new SRMC has opened in Petersburg. This facility carries a capital investment of \$125 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 previously mentioned hospital project on South Crater Road. 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.

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 Generals Baseball Team, and various activities held at the Petersburg Sports Complex.

MAJOR INITIATIVES

Transportation: The City has approved the expansion of transit services by extending routes to Prince George, Hopewell, Colonial Heights and Chester. Through a partnership with the Transit Authority of Richmond, local patrons are offered round-trip bus service between Petersburg and Richmond.

Education: During the year, the City of Petersburg issued approximately \$1.5 million of Qualified School Construction Bonds. The Proceeds will be used for Peabody Middle School window replacement project. Expansion and rehabilitation at Robert E. Lee School and for transportation and central warehouse complex for the School system is ongoing.

Other: The City has several projects ongoing at year end - Lt Run Watershed Restoration Project and Widening of Rives Road. During FY 12 the City completed construction of a Petersburg Pump Station, which costs \$1.8 million and has incurred costs totaling \$2,914,351 for the Poor Creek Pump Station.

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. In addition \$763,981 in revenues from the Virginia Department of Transportation totaling were received to fund various road construction costs.

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, 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 a separately issued 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, 2011. 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

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To The Honorable Members of City Council
City of Petersburg
Petersburg, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Petersburg, Virginia's management. 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress 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.

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 tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 of the City of Petersburg, Virginia. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. 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 at the close of the most recent fiscal year by \$68,294,235 (net assets). Of this amount, \$2,098,489 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$27,306,803, a decrease of \$4,753,908 in comparison with the prior year. Seventeen percent of this amount (\$4,615,214) is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,615,214 or 5.85 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 Assets and a Statement of Changes in Fiduciary Net Assets. 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 assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$68,294,235 at the close of the fiscal year.

**City of Petersburg's, Net Assets
Schedule of Assets, Liabilities and Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 41,018,685	\$ 44,375,932	\$ (3,497,178)	\$ (3,143,306)	\$ 37,521,507	\$ 41,232,626
Capital assets	49,415,954	51,122,344	47,098,866	44,518,903	96,514,820	95,641,247
Total assets	\$ 90,434,639	\$ 95,498,276	\$ 43,601,688	\$ 41,375,597	\$ 134,036,327	\$ 136,873,873
Long-term liabilities outstanding	\$ 43,916,521	\$ 45,277,109	\$ 5,204,450	\$ 5,664,139	\$ 49,120,971	\$ 50,941,248
Current liabilities	11,018,786	10,761,611	5,602,335	1,975,562	16,621,121	12,737,173
Total liabilities	\$ 54,935,307	\$ 56,038,720	\$ 10,806,785	\$ 7,639,701	\$ 65,742,092	\$ 63,678,421
Net assets:						
Invested in capital assets, net of related debt	\$ 14,084,613	\$ 15,534,169	\$ 41,540,929	\$ 38,529,251	\$ 55,625,542	\$ 54,063,420
Restricted	8,371,649	4,459,923	2,198,555	3,049,996	10,570,204	7,509,919
Unrestricted	13,043,070	19,465,464	(10,944,581)	(7,843,351)	2,098,489	11,622,113
Total net assets	\$ 35,499,332	\$ 39,459,556	\$ 32,794,903	\$ 33,735,896	\$ 68,294,235	\$ 73,195,452

A large part of the City's net assets (81%) 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 assets, for the City as a whole, and for its governmental activities; however, its business-type activities reports negative unrestricted net assets. The City plans to remediate its negative unrestricted net assets 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 assets by \$3,960,224, while business-type activities decreased net assets by \$884,493. Key elements of these decreases are as follows:

**City of Petersburg, Virginia's Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2012 and 2011**

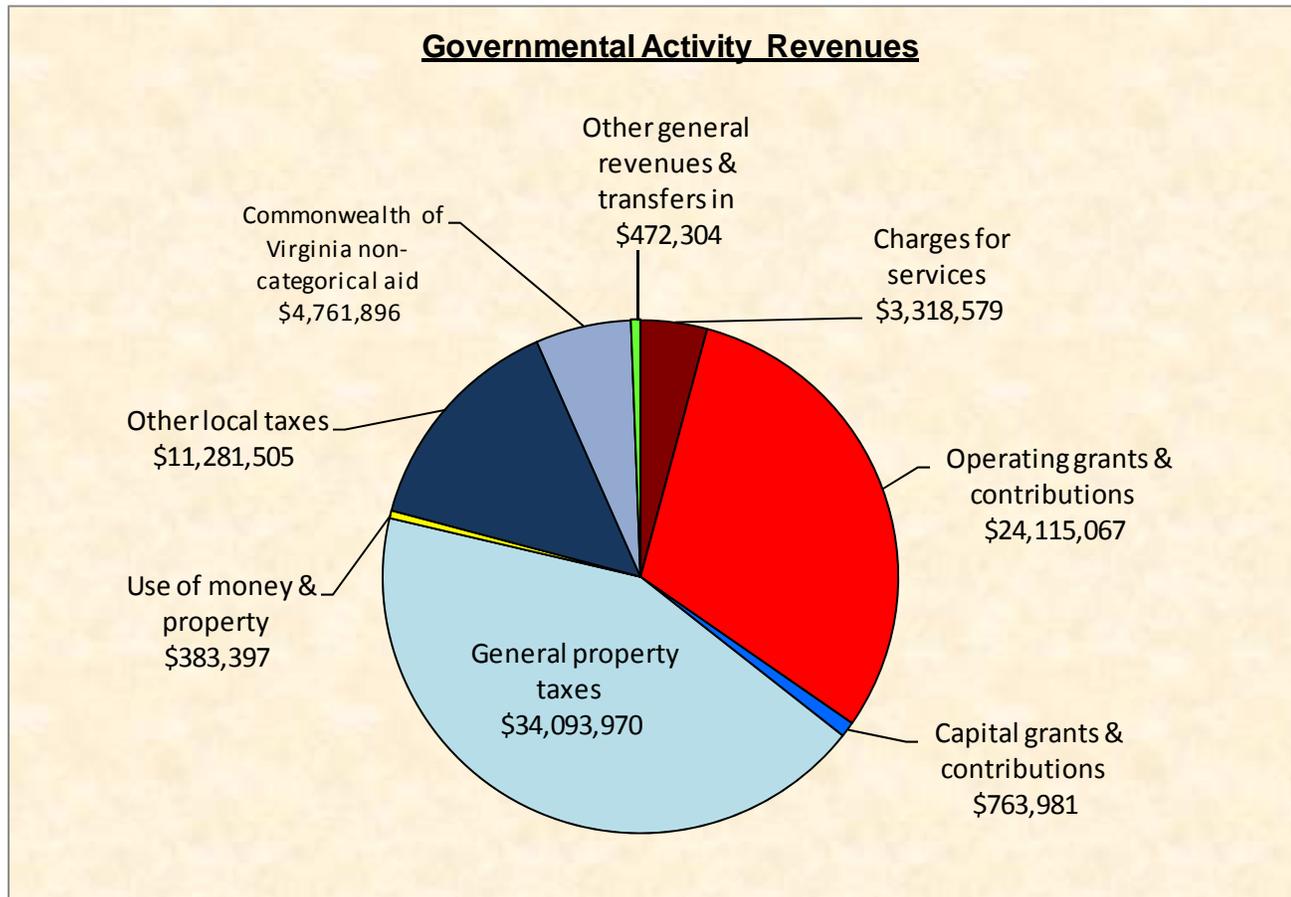
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,318,579	\$ 3,079,913	\$ 10,697,284	\$ 9,172,284	\$ 14,015,863	\$ 12,252,197
Operating grants and contributions	24,115,067	24,665,409	1,089,908	1,171,293	25,204,975	25,836,702
Capital grants and contributions	763,981	3,423,053	1,715,254	856,319	2,479,235	4,279,372
General revenues:						
General property taxes	34,093,970	34,691,569	-	-	34,093,970	34,691,569
Other local taxes	11,281,505	10,686,776	-	-	11,281,505	10,686,776
Use of money and property	383,397	346,203	-	54,511	383,397	400,714
Commonwealth of Virginia non-categorical aid	4,761,896	4,811,992	-	-	4,761,896	4,811,992
Other general revenues	472,304	515,874	-	-	472,304	515,874
Total revenues	\$ 79,190,699	\$ 82,220,789	\$ 13,502,446	\$ 11,254,407	\$ 92,693,145	\$ 93,475,197
Expenses:						
General government						
administration	\$ 4,689,240	\$ 4,288,630	-	-	\$ 4,689,240	\$ 4,288,630
Judicial administration	2,166,314	2,183,232	-	-	2,166,314	2,183,232
Public safety	31,073,384	29,859,320	-	-	31,073,384	29,859,320
Public works	15,391,709	12,756,453	-	-	15,391,709	12,756,453
Health and welfare	13,193,886	14,437,546	-	-	13,193,886	14,437,546
Education	9,157,346	9,815,846	-	-	9,157,346	9,815,846
Parks, recreation, and cultural	2,547,419	3,200,189	-	-	2,547,419	3,200,189
Community development	3,304,525	3,897,397	-	-	3,304,525	3,897,397
Interest	1,127,482	1,272,607	-	-	1,127,482	1,272,607
Public Utility	-	-	9,292,960	8,367,495	9,292,960	8,367,495
Mass Transit	-	-	4,442,057	3,910,309	4,442,057	3,910,309
Golf Course	-	-	1,151,540	1,127,133	1,151,540	1,127,133
Total expenses	\$ 82,651,305	\$ 81,711,219	\$ 14,886,557	\$ 13,404,937	\$ 97,537,862	\$ 95,116,157
Increase (decrease) in net assets before transfers	\$ (3,460,606)	\$ 509,570	\$ (1,384,111)	\$ (2,150,530)	\$ (4,844,717)	\$ (1,640,960)
Transfers	(499,618)	(252,936)	499,618	252,936	-	-
Increase (decrease) in net assets	\$ (3,960,224)	\$ 256,634	\$ (884,493)	\$ (1,897,594)	\$ (4,844,717)	\$ (1,640,960)
Net assets beginning of year	39,459,556	39,202,922	33,679,396	35,633,490	73,138,952	74,836,412
Net assets end of year	\$ 35,499,332	\$ 39,459,556	\$ 32,794,903	\$ 33,735,896	\$ 68,294,235	\$ 73,195,452

Government-wide Financial Analysis: (Continued)

The City's net assets decreased \$4,844,717 during the current fiscal year. This decrease was reflective of a decrease in net assets of governmental activities of \$3,960,224 and a decrease of \$884,493 in business-type activities. Governmental activity revenues decreased from \$82,220,789 to \$79,190,699, a decrease of \$3,030,090 or 3.69%. The economic downturn has caused revenues such as general property taxes (\$597,599) and operating grants and contributions (\$550,342) to decline. Capital grant funding from the Cameron Foundation which for the past three fiscal years totaled over \$10 million for renovations to Walnut Hill and Stuart Elementary schools has ceased. Increases were noted in other local taxes \$594,729 and in charges for services \$238,666. Governmental expenses increased from \$81,711,219 to \$82,651,305 or \$940,086. Key elements of decreases are noted in Health and Welfare \$1,243,660, Education \$652,770, Parks, Recreation and Cultural \$652,770 as well as Community Development \$592,872. Expenses for Public Safety increased \$1,214,064 while Public Works increased \$2,635,256. Expenses for street maintenance accounted for the largest increase as more paving was performed in FY 12 compared to the prior year. The City increased transfers to business-type activities from \$252,936 to \$499,618. Overall, the City's changes in net assets for governmental activities decreased \$3,960,224 during the year.

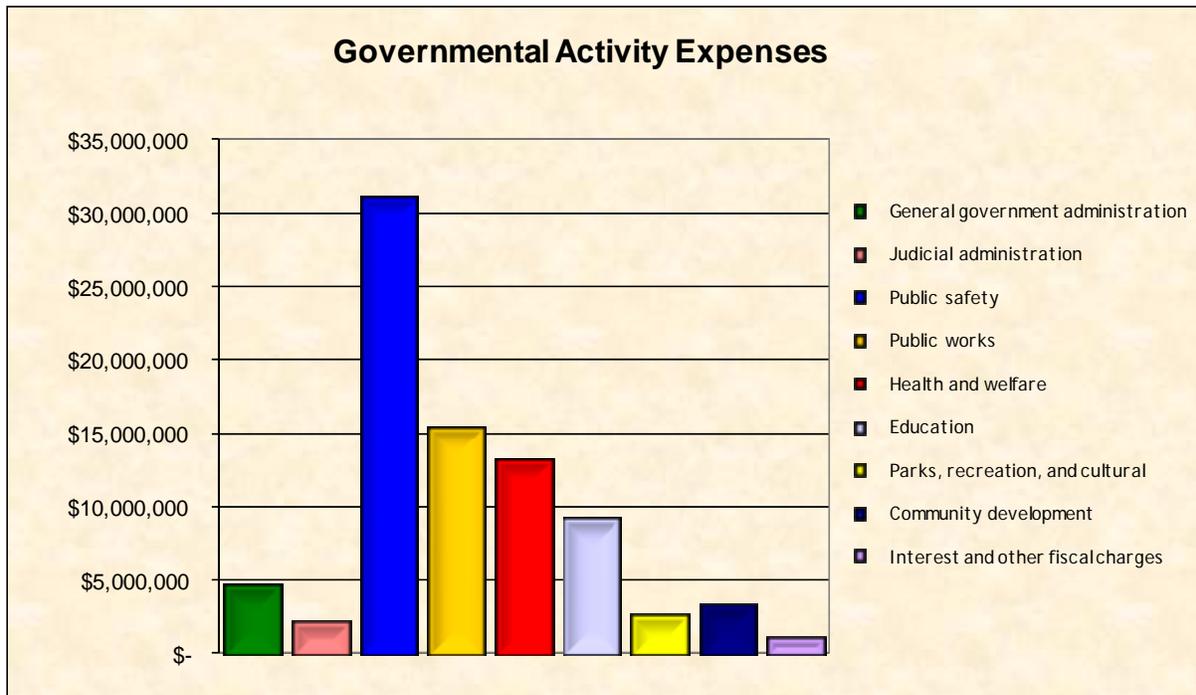
Net assets decreased in the business-type activities by \$884,493. The Public Utility Fund's net assets increased by \$1,304,447 while the Mass Transit Fund net assets decreased by \$1,721,192 and the Golf Course decreased by \$467,748. Public Utility charges for services increased \$1,525,000 and this was due primarily from the increase in connection fees of \$1,070,512. In the fifth year of operations the Golf Course increased revenues from \$565,626 to \$683,792. Public Utility expenses increased from \$8,367,495 to \$9,292,960 or \$925,465 while Mass Transit's expenses increased from \$3,910,309 to \$4,442,057.

The chart below provides an overview of FY 11-12 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 \$27,306,803, a decrease of \$4,753,908 in comparison with the prior year. Approximately 17% of this total amount (\$4,615,214) 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 land held for resale in the amount of \$4,891,455 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 \$3,252,924. The remainder of fund balance is committed and assigned 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 \$4,615,214 while the total fund balance was \$21,908,297. 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 5.85% of total General Fund expenditures, while total fund balance represents 28% of that same amount.

The fund balance of the City's General Fund decreased \$2,274,815 during the current fiscal year. Key factors in the increase are as follows:

- A decrease in miscellaneous revenue of \$3,284,426, which consists primarily of contributions from the Cameron Foundation of \$3,000,000 to curtail the principal indebtedness in connection with the renovations at Stuart and Hill Elementary Schools in FY 11 which was not present in the current year.

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

- The City's general property tax revenue decreased from \$34,039,946 to \$33,388,519 or \$651,427. A decrease in real estate taxes of \$922,211 and machinery and tool taxes of \$378,266 was noticed due to decreased assessments of real property of 4.64% while machinery and tool assessments declined 11.85%. Personal property revenue increased from \$3,730,278 to \$4,132,234 and public service revenue increased \$136,513 to reduce overall decline in general property tax revenue to \$651,427. Slight reductions in the percentage of taxes collected also contributed to the decline in property tax revenue.
- Increased were noted in other local taxes as revenue increased from \$10,686,776 to \$11,281,505 or \$594,729. Business license revenue increased \$441,899 and meals tax revenue increased \$182,619 accounting for the majority of this increase.
- A decrease of \$2,544,328 in principal retirement of indebtedness was noted due to the retirement of a note issued in FY08 for renovations and improvements on the two schools as noted above.
- A decrease of \$1,398,784 in health and welfare due to decreased expenditures for Comprehensive Services of \$871,077 and Social Services of \$424,655
- An increase of \$2,094,666 in public works expenditures due primarily to increases in street maintenance as expenditures increased from \$2,857,334 to \$4,216,996 as well as other increases in maintenance of highways, streets, bridges and sidewalks which account for \$1,689,789 of the overall increase in this function.
- The City's largest function of expenditures is Public Safety and overall expenditures increased \$627,801 with the largest segment herein being fire departments. Fire Department expenditures increased from \$6,649,754 to \$6,902,857 accounting for \$253,103 of this increase. Overall public safety expenditures increased from \$27,554,467 to \$28,182,268.
- The City also incurred expenditures of \$576,875 and received reimbursement of \$246,891 from state and federal governments.

The City's other governmental funds reflected an overall decrease in fund balances of \$2,479,093. The Capital Projects fund balance decreased \$2,438,138 and the other non-major funds decreased \$40,955. The decrease in the Capital Projects fund was primarily caused by the expenditure on Robert E. Lee Elementary School of \$1,357,047 and the School bus barn of \$533,648. Expenditures of \$614,527 for the LT run watershed project and the widening of Rives Road (\$385,888) comprised the largest projects in Public Works which totaled \$1,524,844.

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 assets (deficit) of the Public Utility Fund, Mass Transit Fund and the Golf Course at the end of the year were (\$744,190), (\$7,593,316), and (\$2,607,075), respectively. Net assets increased for the Public Utility Fund by \$1,304,447 while decreases were noted for \$1,721,192 for Mass Transit and \$467,748 for the Golf Course Fund. Connection fees for the Public Utility Fund increased from \$1,046,409 to \$2,116,921 while charges for services increased \$343,634. Operating expenses in the Utility Fund increased \$964,422 from FY11 to FY 12 and Wastewater treatment services accounting for \$492,641 of this total. Overall the net assets increased \$1,304,447 and operating transfers of \$629,618 contributed to the increase. Operating expenses in the Mass Transit Fund have increased from \$3,903,243 in FY 11 to \$4,436,740 in FY 12. The Multi-modal Transportation Facility was fully operational for the first year in FY 11 and state and federal funding sources were insufficient to cover operating expenses thus contributing to the decline in net assets. The Golf Course Fund had operating losses of \$276,751 as revenues of \$683,792 weren't sufficient to cover all operating expenses of \$960,543.

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 \$77,724,895 to \$80,346,813 as disclosed on Exhibit 11. Some of the major differences can be summarized as follows:

- An increase of \$508,464 in non-departmental for expenditures related to Hurricane Irene.
- An increase of \$326,501 in public safety for jail contracted services and other operating expenses.
- An increase of \$479,914 in public works for street maintenance for paving expenditures.
- An increase of \$283,201 in community development primarily for economic incentive contributions.
- An increase of \$160,580 in health and welfare primarily for family stabilization program expenditures of \$104,140.

While the total General Fund revenue budget increased from \$76,789,145 to \$77,299,178 or \$510,033 most of the funding to support these increases came from amounts from the Commonwealth of Virginia and Federal government which increased by a combined \$364,596. Miscellaneous revenue (\$122,848) and charges for services (\$22,589) accounted for the other increases in the revenue budget. Fund balance was needed to cover the remaining increases on the expenditure budget as it was used to provide funding in the amount of \$1,981,885 up from original budget amounts of \$935,750, reference Exhibit 11. 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, 2012 totaled \$95,641,247 (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 \$6,549,906 in the governmental activities and \$1,704,594 in the business-type activities. The City's governmental capital assets, net of accumulated depreciation, decreased \$1,706,390. The City's business-type capital assets, net of accumulated depreciation, increased \$2,579,963. 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 \$47,193,933 and the business-type activities had \$5,726,375. Of these amounts \$38,742,205 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 \$1,530,000 in general obligation bonds. The City also issued \$220,000 in capital lease obligations for voting machine equipment, a vehicle, and a clubhouse for the Golf Course. The City also issued and redeemed \$6,000,000 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 10.1% at October, 2012, which is lower than the 11.8% at June 30, 2011.

This factor was considered in preparing the City's budget for the 2013 fiscal year. The budget for FY '13 totals \$95,442,485, which is an increase of \$6,979,510 or 7.8% under the fiscal 2012 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 Assets

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 4,367,412	\$ -	\$ 4,367,412	\$ 121,195
Restricted cash	7,825,814	870,000	8,695,814	-
Receivables (net of allowance for uncollectibles):				
Property taxes	7,612,273	-	7,612,273	-
Accounts receivable	1,110,077	1,980,937	3,091,014	280,348
Inventory	4,891,455	624,185	5,515,640	258,565
Unamortized bond issuance costs	695,692	-	695,692	-
Due from Primary Government	-	-	-	2,221,576
Internal balances	9,178,414	(9,178,414)	-	-
Due from other governmental units	5,337,548	877,559	6,215,107	2,465,731
Total Current Assets	<u>\$ 41,018,685</u>	<u>\$ (4,825,733)</u>	<u>\$ 36,192,952</u>	<u>\$ 5,347,415</u>
Noncurrent Assets				
Restricted cash - SCWA - debt service	\$ -	\$ 1,328,555	\$ 1,328,555	\$ -
Capital assets (net of depreciation):				
Land and land improvements	\$ 6,046,998	\$ 5,355,051	\$ 11,402,049	\$ 149,755
Water capacity rights	-	2,652,000	2,652,000	-
Utility plant in service	-	34,372,126	34,372,126	-
Vehicles	1,001,668	1,363,853	2,365,521	1,311,789
Equipment and machinery	3,765,926	441,485	4,207,411	272,157
Buildings and improvements	27,626,237	-	27,626,237	7,663,167
Infrastructure	3,140,370	-	3,140,370	-
Construction in progress	7,834,755	2,914,351	10,749,106	-
Total Capital Assets	<u>\$ 49,415,954</u>	<u>\$ 47,098,866</u>	<u>\$ 96,514,820</u>	<u>\$ 9,396,868</u>
Total Noncurrent Assets	<u>\$ 49,415,954</u>	<u>\$ 48,427,421</u>	<u>\$ 97,843,375</u>	<u>\$ 9,396,868</u>
Total Assets	<u>\$ 90,434,639</u>	<u>\$ 43,601,688</u>	<u>\$ 134,036,327</u>	<u>\$ 14,744,283</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 5,069,140	\$ 1,187,949	\$ 6,257,089	\$ 3,520,367
Reconciled overdraft	-	3,261,577	3,261,577	108,296
Accrued interest payable	404,741	77,535	482,276	-
Customer deposits	33,860	553,349	587,209	-
Unearned revenue	12,057	-	12,057	126,083
Due to Component Unit School Board	2,221,576	-	2,221,576	-
Current portion of long-term obligations	3,277,412	521,925	3,799,337	352,856
Total Current Liabilities	<u>\$ 11,018,786</u>	<u>\$ 5,602,335</u>	<u>\$ 16,621,121</u>	<u>\$ 4,107,602</u>
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	43,916,521	5,204,450	49,120,971	1,492,690
Total Liabilities	<u>\$ 54,935,307</u>	<u>\$ 10,806,785</u>	<u>\$ 65,742,092</u>	<u>\$ 5,600,292</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 14,084,613	\$ 41,540,929	\$ 55,625,542	\$ 8,769,037
Restricted for grants	635,169	-	635,169	-
Restricted for debt service	3,080,364	2,198,555	5,278,919	-
Restricted for capital projects	2,863,441	-	2,863,441	-
Restricted for McKenney scholarships	19,009	-	19,009	-
Restricted for perpetual care and library	1,773,666	-	1,773,666	-
Unrestricted	13,043,070	(10,944,581)	2,098,489	374,954
Total Net Assets	<u>\$ 35,499,332</u>	<u>\$ 32,794,903</u>	<u>\$ 68,294,235</u>	<u>\$ 9,143,991</u>
Total Liabilities and Net Assets	<u>\$ 90,434,639</u>	<u>\$ 43,601,688</u>	<u>\$ 134,036,327</u>	<u>\$ 14,744,283</u>

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

CITY OF PETERSBURG, VIRGINIA

Statement of Activities
 Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,689,240	\$ -	\$ 305,189	\$ -
Judicial administration	2,166,314	1,000,340	993,434	-
Public safety	31,073,384	619,311	7,504,260	-
Public works	15,391,709	1,581,645	4,907,577	763,981
Health and welfare	13,193,886	-	9,757,395	-
Education	9,157,346	-	-	-
Parks, recreation, and cultural	2,547,419	82,202	141,719	-
Community development	3,304,525	35,081	505,493	-
Interest	1,127,482	-	-	-
Total governmental activities	\$ 82,651,305	\$ 3,318,579	\$ 24,115,067	\$ 763,981
Business-type activities:				
Public utility	\$ 9,292,960	\$ 9,539,367	\$ -	\$ 558,422
Mass transit	4,442,057	474,125	1,089,908	1,156,832
Golf course	1,151,540	683,792	-	-
Total business-type activities	\$ 14,886,557	\$ 10,697,284	\$ 1,089,908	\$ 1,715,254
Total primary government	\$ 97,537,862	\$ 14,015,863	\$ 25,204,975	\$ 2,479,235
COMPONENT UNIT:				
School Board	\$ 47,837,441	\$ 607,980	\$ 38,504,528	\$ -

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 assets
 Net assets - beginning, as restated
 Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	School Board
\$ (4,384,051)	\$ -	\$ (4,384,051)	\$ -
(172,540)	-	(172,540)	-
(22,949,813)	-	(22,949,813)	-
(8,138,506)	-	(8,138,506)	-
(3,436,491)	-	(3,436,491)	-
(9,157,346)	-	(9,157,346)	-
(2,323,498)	-	(2,323,498)	-
(2,763,951)	-	(2,763,951)	-
(1,127,482)	-	(1,127,482)	-
<u>\$ (54,453,678)</u>	<u>\$ -</u>	<u>\$ (54,453,678)</u>	<u>\$ -</u>
\$ -	\$ 804,829	\$ 804,829	\$ -
-	(1,721,192)	(1,721,192)	-
-	(467,748)	(467,748)	-
<u>\$ -</u>	<u>\$ (1,384,111)</u>	<u>\$ (1,384,111)</u>	<u>\$ -</u>
<u>\$ (54,453,678)</u>	<u>\$ (1,384,111)</u>	<u>\$ (55,837,789)</u>	<u>\$ -</u>
			<u>\$ (8,724,933)</u>
\$ 34,093,970	\$ -	\$ 34,093,970	\$ -
3,755,828	-	3,755,828	-
1,658,993	-	1,658,993	-
2,931,183	-	2,931,183	-
511,083	-	511,083	-
294,194	-	294,194	-
1,559,147	-	1,559,147	-
571,077	-	571,077	-
383,397	-	383,397	19,366
472,304	-	472,304	754,196
4,761,896	-	4,761,896	-
-	-	-	7,931,373
(499,618)	499,618	-	-
<u>\$ 50,493,454</u>	<u>\$ 499,618</u>	<u>\$ 50,993,072</u>	<u>\$ 8,704,935</u>
<u>\$ (3,960,224)</u>	<u>\$ (884,493)</u>	<u>\$ (4,844,717)</u>	<u>\$ (19,998)</u>
<u>39,459,556</u>	<u>33,679,396</u>	<u>73,138,952</u>	<u>9,163,989</u>
<u>\$ 35,499,332</u>	<u>\$ 32,794,903</u>	<u>\$ 68,294,235</u>	<u>\$ 9,143,991</u>

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2012

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Non Major Funds	
ASSETS				
Cash and cash equivalents	\$ 649,102	\$ 3,135,327	\$ 582,983	\$ 4,367,412
Restricted cash	3,080,364	2,952,775	1,792,675	7,825,814
Receivables (Net of allowances for uncollectibles):				
Taxes	7,612,273	-	-	7,612,273
Accounts	1,057,188	52,889	-	1,110,077
Inventory and land held for resale	4,891,455	-	-	4,891,455
Due from other funds	9,148,704	279,781	-	9,428,485
Due from Component Unit School Board	848,910	-	-	848,910
Due from other governmental units	5,071,769	19,137	246,642	5,337,548
Total assets	<u>\$ 32,359,765</u>	<u>\$ 6,439,909</u>	<u>\$ 2,622,300</u>	<u>\$ 41,421,974</u>
LIABILITIES				
Accounts payable	\$ 3,430,119	\$ 226,201	\$ 104,888	\$ 3,761,208
Accrued salaries and withholdings payable	1,307,932	-	-	1,307,932
Deposits held	33,860	-	-	33,860
Due to other funds	-	-	250,071	250,071
Due to Component Unit School Board	-	3,070,486	-	3,070,486
Deferred revenue	5,679,557	-	12,057	5,691,614
Total liabilities	<u>\$ 10,451,468</u>	<u>\$ 3,296,687</u>	<u>\$ 367,016</u>	<u>\$ 14,115,171</u>
FUND BALANCES				
Nonspendable:				
Inventory and land held for resale	\$ 4,891,455	\$ -	\$ -	\$ 4,891,455
Cemetery Perpetual care and library	-	-	1,773,666	1,773,666
McKenney scholarships	-	-	19,009	19,009
Interfund loans	9,148,704	279,781	-	9,428,485
Restricted:				
Grants	172,560	-	462,609	635,169
Debt service	3,080,364	-	-	3,080,364
School capital projects	-	2,863,441	-	2,863,441
Unassigned:				
General fund	4,615,214	-	-	4,615,214
Total fund balances	<u>\$ 21,908,297</u>	<u>\$ 3,143,222</u>	<u>\$ 2,255,284</u>	<u>\$ 27,306,803</u>
Total liabilities and fund balances	<u>\$ 32,359,765</u>	<u>\$ 6,439,909</u>	<u>\$ 2,622,300</u>	<u>\$ 41,421,974</u>
Fund balances above				\$ 27,306,803

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.	49,415,954
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(404,741)
Deferred taxes represent amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.	5,679,557
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:	
Net bond issuance financing costs	695,692
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 assets.	(47,193,933)
Net assets of General Government Activities	<u>\$ 35,499,332</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended June 30, 2012

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Non- Major Funds	
Revenues:				
General property taxes	\$ 33,388,519	\$ -	\$ -	\$ 33,388,519
Other local taxes	11,281,505	-	-	11,281,505
Permits, privilege fees and regulatory licenses	559,870	-	-	559,870
Fines and forfeitures	786,925	-	-	786,925
Revenue from use of money and property	360,792	2,634	19,971	383,397
Charges for services	1,966,884	-	4,900	1,971,784
Miscellaneous	438,527	33,777	-	472,304
Recovered costs	-	-	35,966	35,966
Intergovernmental:				
Commonwealth	22,309,168	763,981	401,111	23,474,260
Federal	5,123,615	-	1,043,069	6,166,684
Total revenues	\$ 76,215,805	\$ 800,392	\$ 1,505,017	\$ 78,521,214
Expenditures:				
Current:				
General government administration	\$ 4,623,610	\$ -	\$ -	\$ 4,623,610
Judicial administration	1,942,608	-	-	1,942,608
Public safety	28,182,268	-	881,153	29,063,421
Public works	11,623,871	1,524,844	-	13,148,715
Health and welfare	12,687,300	348,075	-	13,035,375
Education	7,934,373	2,167,684	168,395	10,270,452
Parks, recreation, and cultural	2,365,635	579	-	2,366,214
Community development	3,070,543	219,076	132,953	3,422,572
Nondepartmental	1,968,166	-	-	1,968,166
Debt service:				
Principal retirement	3,454,279	66,256	-	3,520,535
Interest and other fiscal charges	1,104,913	3,923	-	1,108,836
Total expenditures	\$ 78,957,566	\$ 4,330,437	\$ 1,182,501	\$ 84,470,504
Excess (deficiency) of revenues over expenditures	\$ (2,741,761)	\$ (3,530,045)	\$ 322,516	\$ (5,949,290)
Other financing sources (uses):				
Transfers in	\$ 301,946	\$ 191,525	\$ -	\$ 493,471
Transfers (out)	-	(629,618)	(363,471)	(993,089)
Issuance of debt	-	1,530,000	-	1,530,000
Issuance of capital leases	165,000	-	-	165,000
Total other financing sources (uses)	\$ 466,946	\$ 1,091,907	\$ (363,471)	\$ 1,195,382
Changes in fund balance	\$ (2,274,815)	\$ (2,438,138)	\$ (40,955)	\$ (4,753,908)
Fund balances at beginning of year	24,183,112	5,581,360	2,296,239	32,060,711
Fund balances at end of year	\$ 21,908,297	\$ 3,143,222	\$ 2,255,284	\$ 27,306,803

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, 2012

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (4,753,908)
<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	\$ 906,317
Increase in construction in progress	3,937,199
Depreciation expense	<u>(6,549,906)</u> (1,706,390)
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.	705,451
<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 assets. Also, governmental funds report the effect of issuance costs, 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	\$ 3,520,535
Issuance of debt, refunding bonds and capital leases	<u>(1,695,000)</u> 1,825,535
<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 accrued leave	\$ 91,735
Other post employment benefits	(104,000)
Amortization of deferred charges	(46,379)
Change in interest payable	<u>27,732</u> (30,912)
Change in net assets of governmental activities	<u>\$ (3,960,224)</u>

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

Statement of Net Assets
 Proprietary Funds
 June 30, 2012

	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	1,977,717	3,220	-	1,980,937
Due from other governmental units	558,422	319,137	-	877,559
Inventory	243,523	336,532	44,130	624,185
Total Current Assets	<u>\$ 3,649,662</u>	<u>\$ 658,889</u>	<u>\$ 44,130</u>	<u>\$ 4,352,681</u>
Noncurrent Assets				
Restricted cash - SCWA - debt service	\$ 1,328,555	\$ -	\$ -	\$ 1,328,555
Capital assets:				
Land and land improvements	\$ 173,898	\$ 1,143,415	\$ 4,314,688	\$ 5,632,001
Construction in progress	2,914,351	-	-	2,914,351
Utility plant in service	26,955,723	24,479,795	56,000	51,491,518
Water capacity rights	4,420,000	-	-	4,420,000
Vehicles	1,099,291	3,722,166	-	4,821,457
Equipment and machinery	1,265,478	542,654	-	1,808,132
Less accumulated depreciation	<u>(17,943,288)</u>	<u>(5,768,355)</u>	<u>(276,950)</u>	<u>(23,988,593)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 18,885,453</u>	<u>\$ 24,119,675</u>	<u>\$ 4,093,738</u>	<u>\$ 47,098,866</u>
Total Noncurrent Assets	<u>\$ 20,214,008</u>	<u>\$ 24,119,675</u>	<u>\$ 4,093,738</u>	<u>\$ 48,427,421</u>
Total assets	<u>\$ 23,863,670</u>	<u>\$ 24,778,564</u>	<u>\$ 4,137,868</u>	<u>\$ 52,780,102</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 618,891	\$ 364,852	\$ 68,812	\$ 1,052,555
Reconciled overdraft	1,488,887	1,287,106	485,584	3,261,577
Accrued salaries payable	63,399	66,029	5,966	135,394
Accrued interest payable	29,981	-	47,554	77,535
Due to other funds	672,676	6,480,355	2,025,383	9,178,414
Customers' deposits payable	553,349	-	-	553,349
Current portion of long-term debt	397,419	47,450	77,056	521,925
Total Current Liabilities	<u>\$ 3,824,602</u>	<u>\$ 8,245,792</u>	<u>\$ 2,710,355</u>	<u>\$ 14,780,749</u>
Noncurrent Liabilities				
Capital lease obligations, net of current portion	\$ 65,588	\$ 54,657	\$ 39,342	\$ 159,587
Compensated absences, net of current portion	87,002	47,977	16,115	151,094
Bonds payable, net of current portion	1,081,019	-	3,812,750	4,893,769
Total Noncurrent Liabilities	<u>\$ 1,233,609</u>	<u>\$ 102,634</u>	<u>\$ 3,868,207</u>	<u>\$ 5,204,450</u>
Total liabilities	<u>\$ 5,058,211</u>	<u>\$ 8,348,426</u>	<u>\$ 6,578,562</u>	<u>\$ 19,985,199</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 17,351,094	\$ 24,023,454	\$ 166,381	\$ 41,540,929
Restricted for SCWA - debt service	2,198,555	-	-	2,198,555
Unrestricted	<u>(744,190)</u>	<u>(7,593,316)</u>	<u>(2,607,075)</u>	<u>(10,944,581)</u>
Total Net Assets	<u>\$ 18,805,459</u>	<u>\$ 16,430,138</u>	<u>\$ (2,440,694)</u>	<u>\$ 32,794,903</u>
Total Liabilities and Net Assets	<u>\$ 23,863,670</u>	<u>\$ 24,778,564</u>	<u>\$ 4,137,868</u>	<u>\$ 52,780,102</u>

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

Statement of Revenues, Expenses and Changes in Net Assets --
 Proprietary Funds
 Year Ended June 30, 2012

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Operating revenues:				
Charges for services	\$ 7,419,297	\$ 472,302	\$ 683,792	\$ 8,575,391
Connection fees	2,116,921	-	-	2,116,921
Miscellaneous income	3,149	1,823	-	4,972
Total operating revenues	<u>\$ 9,539,367</u>	<u>\$ 474,125</u>	<u>\$ 683,792</u>	<u>\$ 10,697,284</u>
Operating expenses:				
Personal services	\$ 1,211,353	\$ 1,259,726	\$ 118,856	\$ 2,589,935
Fringe benefits	381,782	335,005	19,069	735,856
Contractual services	865,699	677,520	538,180	2,081,399
Wastewater treatment services	2,670,553	-	-	2,670,553
Water purchased for resale	1,323,516	-	-	1,323,516
Other charges	1,311,696	1,128,775	222,596	2,663,067
Depreciation	607,038	1,035,714	61,842	1,704,594
Total operating expenses	<u>\$ 8,371,637</u>	<u>\$ 4,436,740</u>	<u>\$ 960,543</u>	<u>\$ 13,768,920</u>
Operating income (loss)	<u>\$ 1,167,730</u>	<u>\$ (3,962,615)</u>	<u>\$ (276,751)</u>	<u>\$ (3,071,636)</u>
Nonoperating revenues (expenses):				
State grants	\$ -	\$ 12,212	\$ -	\$ 12,212
Federal grants	-	1,077,696	-	1,077,696
Contribution to SCWA	(851,441)	-	-	(851,441)
Interest expense	(69,882)	(5,317)	(190,997)	(266,196)
Total nonoperating revenues (expenses)	<u>\$ (921,323)</u>	<u>\$ 1,084,591</u>	<u>\$ (190,997)</u>	<u>\$ (27,729)</u>
Income (loss) before contributions and transfers	\$ 246,407	\$ (2,878,024)	\$ (467,748)	\$ (3,099,365)
Capital contributions and construction grants	558,422	1,156,832	-	1,715,254
Transfers (out)	(130,000)	-	-	(130,000)
Transfers in	629,618	-	-	629,618
Changes in net assets	<u>\$ 1,304,447</u>	<u>\$ (1,721,192)</u>	<u>\$ (467,748)</u>	<u>\$ (884,493)</u>
Net assets (deficit) at beginning of year, as restated	<u>17,501,012</u>	<u>18,151,330</u>	<u>(1,972,946)</u>	<u>33,679,396</u>
Net assets (deficit) at end of year	<u>\$ 18,805,459</u>	<u>\$ 16,430,138</u>	<u>\$ (2,440,694)</u>	<u>\$ 32,794,903</u>

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

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2012

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,309,515	\$ 515,952	\$ 683,792	\$ 10,509,259
Payments to suppliers	(1,563,521)	(1,578,129)	(141,182)	(3,282,832)
Payments to employees (including fringe benefits)	(6,027,481)	(1,677,349)	(768,679)	(8,473,509)
Net cash provided by (used for) operating activities	<u>\$ 1,718,513</u>	<u>\$ (2,739,526)</u>	<u>\$ (226,069)</u>	<u>\$ (1,247,082)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (3,252,923)	\$ (1,046,832)	\$ (56,000)	\$ (4,355,755)
Capital grants and contributions	-	1,156,832	-	1,156,832
Interest expense	(75,259)	(5,317)	(191,471)	(272,047)
Capital transfers	629,618	-	-	629,618
Contribution to SCWA	(851,441)	-	-	(851,441)
Proceeds from capital lease obligations	-	-	55,000	55,000
Retirement of indebtedness	(378,836)	(39,735)	(68,143)	(486,714)
Net cash provided by (used for) capital and related financing activities	<u>\$ (3,928,841)</u>	<u>\$ 64,948</u>	<u>\$ (260,614)</u>	<u>\$ (4,124,507)</u>
Cash flows from noncapital financing activities:				
State and federal grants	\$ -	\$ 1,387,472	\$ -	\$ 1,387,472
Transfers (to) and from other funds	(130,000)	-	-	(130,000)
Net cash provided by (used for) noncapital financing activities	<u>\$ (130,000)</u>	<u>\$ 1,387,472</u>	<u>\$ -</u>	<u>\$ 1,257,472</u>
Increase in cash and cash equivalents	\$ (2,340,328)	\$ (1,287,106)	\$ (486,683)	\$ (4,114,117)
Cash and cash equivalents at beginning of year	3,049,996	-	1,099	3,051,095
Cash and cash equivalents at end of year	<u>\$ 709,668</u>	<u>\$ (1,287,106)</u>	<u>\$ (485,584)</u>	<u>\$ (1,063,022)</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,167,730	\$ (3,962,615)	\$ (276,751)	\$ (3,071,636)
Adjustments to reconcile net loss to net cash provided by operations:				
Depreciation	\$ 607,038	\$ 1,035,714	\$ 61,842	\$ 1,704,594
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable and due from other governments	(240,483)	41,827	-	(198,656)
Inventory	4,626	(43,334)	(446)	(39,154)
Increase (decrease) in:				
Accounts payable and accrued expenses	163,696	194,983	(6,965)	351,714
Unearned revenue	-	-	-	-
Customer deposits	10,631	-	-	10,631
Compensated absences	5,275	(6,101)	(3,749)	(4,575)
Total adjustments	<u>\$ 550,783</u>	<u>\$ 1,223,089</u>	<u>\$ 50,682</u>	<u>\$ 1,824,554</u>
Net cash provided by (used for) operating activities	<u>\$ 1,718,513</u>	<u>\$ (2,739,526)</u>	<u>\$ (226,069)</u>	<u>\$ (1,247,082)</u>

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

Statement of Fiduciary Net Assets
At June 30, 2012

	Hospital Trust Fund		Agency Funds
	Private- Purpose Trust		
ASSETS			
Cash and cash equivalents	\$ 539,428	\$	461,650
Land held for resale	-		2,403,380
	<u>539,428</u>		<u>2,865,030</u>
Total assets	<u>\$ 539,428</u>	<u>\$</u>	<u>2,865,030</u>
LIABILITIES			
Accounts payable	\$ 135,000	\$	-
Amounts held for inmates	-		306,842
Note payable	-		2,500,000
Jail inmate telephone account	-		3
Amounts held for social services clients	-		58,185
	<u>135,000</u>		<u>2,865,030</u>
Total liabilities	<u>\$ 135,000</u>	<u>\$</u>	<u>2,865,030</u>
NET ASSETS			
Held for hospitalization care for welfare recipients	<u>404,428</u>		<u>-</u>
Total liabilities and net assets	<u>\$ 539,428</u>	<u>\$</u>	<u>2,865,030</u>

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

Statement of Changes in Fiduciary Net Assets
 Year Ended June 30, 2012

	Hospital Trust Fund
	Private- Purpose Trust
Additions	
Investment income	\$ 15,210
Total additions	<u>\$ 15,210</u>
Deductions	
Administrative charges	<u>\$ 35,000</u>
Total deductions	<u>\$ 35,000</u>
Change in net assets	\$ (19,790)
Net assets - beginning of the year	<u>424,218</u>
Net assets - end of the year	<u><u>\$ 404,428</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, 2012

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, 2012.

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, 2012.

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, 2012 (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, 2012 were \$2,670,553 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, 2012 were \$2,102,440. 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, 2012 were \$1,323,516. 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, 2012 (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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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 Assets 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 Assets - The Statement of Net Assets 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 Assets and report their depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements - A summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds Balance Sheet and total net assets for governmental activities as shown on the government-wide Statement of Net Assets 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 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 assets 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

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

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included in the Statement of Fiduciary Net Assets. 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.

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

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

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 non-major 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

1. Governmental Funds: (Continued)

- 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 non-major 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.

2. Proprietary Funds

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

Enterprise Funds

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

The City reports the following major enterprise funds.

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

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

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

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust Funds and Agency Funds. The Private-Purpose Trust Fund accounts for monies derived from investment earnings to provide hospitalization care for welfare recipients in the City and is named the Hospital Trust Fund. The Agency Funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare, Jail Inmate, Drug Seizure and Industrial Development Authority 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.
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 reserved 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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."

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 \$1,923,419 at June 30, 2012 and is comprised of the following:

Property taxes - General Fund	\$	421,810
Refuse and consumer's utility taxes - General Fund		173,286
Public Utility Accounts		1,328,323
Total	\$	<u>1,923,419</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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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, 2012 the City has Restricted Assets totaling \$870,000 and \$1,328,555 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 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.

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

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

K. Compensated Absences

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

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

K. Compensated Absences: (Continued)

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.

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 Assets. Bond discounts and issuance costs 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, whereas issuance costs are recorded as deferred expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

O. Long-term Obligations: (Continued)

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

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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.

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 by passage of an ordinance / resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council 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).

As of June 30, 2012, there was a deficit fund balance in the Golf Course Fund (\$2,440,694). It is expected that future operating revenues will remediate the deficit in the Golf Course Fund.

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

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 Assets 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 Assets 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 2012 is \$870,000.

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).

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 2—Deposits and Investments: (Continued)

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, 2012 all of the City's investments were held in accordance with this policy.

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, 2012 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

	Fair Quality Ratings			
	AAAm	AAA	AA+	AA
Primary Government:				
Local Government Investment Pool	\$ 618,530	\$ -	\$ -	\$ -
SNAP	2,952,775	-	-	-
U.S. Savings Bonds	-	2,000	-	-
Municipal public bonds	-	-	227,422	-
U.S. Agency Securities	-	-	1,176,465	-
Total Primary Government investments	\$ 3,571,305	\$ 2,000	\$ 1,403,887	\$ -

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	\$ 618,530	\$ 618,530	\$ -	\$ -	\$ -
SNAP	2,952,775	2,952,775	-	-	-
U.S. Savings Bonds	2,000	-	-	-	2,000
Municipal public bonds	227,422	-	227,422	-	-
U.S. Agency Securities	1,176,465	-	1,176,465	-	-
Total Primary Government investments	\$ 4,977,192	\$ 3,571,305	\$ 1,403,887	\$ -	\$ 2,000

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012 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	\$ 668,979	\$ -
Miscellaneous grants	389,183	-
Shared expenses	414,849	-
Public assistance and welfare administration	235,255	-
Comprehensive services	293,506	-
Mass Transit	-	113,724
PPTRA	2,294,331	-
Communications tax	320,523	-
Federal Government:		
Public assistance and welfare administration	301,249	-
Community Development Block Grant	154,351	-
Miscellaneous grants	78,283	-
Emergency services - Hurricane Irene	187,039	-
Mass Transit	-	205,413
Other Governments:		
County of Prince George	-	558,422
Total due from other governments	<u>\$ 5,337,548</u>	<u>\$ 877,559</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012 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	\$ 9,428,485	\$ 9,428,485
Reporting Entity:		
Primary Government - General Fund	\$ 848,910	\$ -
Primary Government - Capital Projects Fund	-	3,070,486
School Board	2,221,576	-
Total	\$ 3,070,486	\$ 3,070,486

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, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Major Funds:		
General	\$ 301,946	\$ -
Capital Projects	191,525	629,618
Enterprise:		
Public Utility	629,618	130,000
Nonmajor Funds:		
Community Development Act Fund	-	283,471
Blandford Cemetery Perpetual Care	-	80,000
Total	\$ 1,123,089	\$ 1,123,089

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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Inventory:

At June 30, 2012 the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Expendable supplies	\$ 146,132	\$ 624,185
Land and building inventory held for resale:		
303 Commercial/residential lots owned in the City	4,713,142	-
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>
Totals	<u>\$ 4,891,455</u>	<u>\$ 624,185</u>

The following is a summary of changes in inventory held for resale for the fiscal year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance June 30, 2012</u>
Land and building inventory held for resale:				
303 Commercial/residential lots owned in the City	\$ 4,822,835	\$ 14,997	\$ 124,690	\$ 4,713,142
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>	<u>-</u>	<u>32,181</u>
Totals	<u>\$ 4,855,016</u>	<u>\$ 14,997</u>	<u>\$ 124,690</u>	<u>\$ 4,745,323</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012:

	Balances July 1, 2011	Additions	Deletions	Balance June 30, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,827,922	\$ 219,076	\$ -	\$ 6,046,998
Construction in progress - city projects	605,846	1,776,456	1,239,840	1,142,462
Construction in progress - school projects	<u>4,531,550</u>	<u>2,160,743</u>	<u>-</u>	<u>6,692,293</u>
Total capital assets not being depreciated	<u>\$ 10,965,318</u>	<u>\$ 4,156,275</u>	<u>\$ 1,239,840</u>	<u>\$ 13,881,753</u>
Capital assets being depreciated:				
Buildings	\$ 64,193,773	\$ 1,145,176	\$ -	\$ 65,338,949
Infrastructure	105,596,249	246,680	-	105,842,929
Vehicles	9,704,056	174,995	-	9,879,051
Equipment (other than vehicles)	<u>10,253,024</u>	<u>360,230</u>	<u>-</u>	<u>10,613,254</u>
Total capital assets being depreciated	<u>\$ 189,747,102</u>	<u>\$ 1,927,081</u>	<u>\$ -</u>	<u>\$ 191,674,183</u>
Less accumulated depreciation for:				
Buildings	\$ 36,231,567	\$ 1,481,145	\$ -	\$ 37,712,712
Infrastructure	99,174,461	3,528,098	-	102,702,559
Vehicles	8,283,537	593,846	-	8,877,383
Equipment	<u>5,900,511</u>	<u>946,817</u>	<u>-</u>	<u>6,847,328</u>
Total accumulated depreciation	<u>\$ 149,590,076</u>	<u>\$ 6,549,906</u>	<u>\$ -</u>	<u>\$ 156,139,982</u>
Total capital assets being depreciated, net	<u>\$ 40,157,026</u>	<u>\$ (4,622,825)</u>	<u>\$ -</u>	<u>\$ 35,534,201</u>
Governmental Activities capital assets, net	<u>\$ 51,122,344</u>	<u>\$ (466,550)</u>	<u>\$ 1,239,840</u>	<u>\$ 49,415,954</u>
Reconciliation of primary government net assets invested in capital assets net of related debt:				
Net capital assets				<u>\$ 49,415,954</u>
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 23,940,398	
School Literary Fund loan			3,875,000	
School Qualified Zone Academy Bonds			6,795,695	
Note payable			2,574,563	
Capital lease obligations			<u>1,098,460</u>	38,284,116
Less-debt proceeds received but not expended on capital assets at June 30, 2012				<u>(2,952,775)</u>
Net long-term debt, as adjusted				<u>\$ 35,331,341</u>
Net assets invested in capital assets, less related debt				<u>\$ 14,084,613</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Public Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 173,898	\$ -	\$ -	\$ 173,898
Construction in progress	<u>1,788,030</u>	<u>2,915,569</u>	<u>1,789,248</u>	<u>2,914,351</u>
Total capital assets not being depreciated	<u>\$ 1,961,928</u>	<u>\$ 2,915,569</u>	<u>\$ 1,789,248</u>	<u>\$ 3,088,249</u>
Capital assets being depreciated:				
Plant	\$ 25,043,011	\$ 1,912,712	\$ -	\$ 26,955,723
Water capacity rights intangible asset	4,420,000	-	-	4,420,000
Vehicles	988,846	110,445	-	1,099,291
Equipment and machinery	<u>1,233,230</u>	<u>32,248</u>	<u>-</u>	<u>1,265,478</u>
Total capital assets being depreciated	<u>\$ 31,685,087</u>	<u>\$ 2,055,405</u>	<u>\$ -</u>	<u>\$ 33,740,492</u>
Less accumulated depreciation for:				
Plant	\$ 13,791,160	\$ 393,688	\$ -	\$ 14,184,848
Water capacity rights intangible asset	1,657,500	110,500	-	1,768,000
Vehicles	859,641	67,487	-	927,128
Equipment and machinery	<u>1,027,949</u>	<u>35,363</u>	<u>-</u>	<u>1,063,312</u>
Total accumulated depreciation	<u>\$ 17,336,250</u>	<u>\$ 607,038</u>	<u>\$ -</u>	<u>\$ 17,943,288</u>
Total capital assets being depreciated, net	<u>\$ 14,348,837</u>	<u>\$ 1,448,367</u>	<u>\$ -</u>	<u>\$ 15,797,204</u>
Public Utility fund capital assets, net	<u><u>\$ 16,310,765</u></u>	<u><u>\$ 4,363,936</u></u>	<u><u>\$ 1,789,248</u></u>	<u><u>\$ 18,885,453</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </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:				
Plant	\$ 23,804,804	\$ 674,990	\$ -	\$ 24,479,794
Vehicles	3,639,334	82,833	-	3,722,167
Equipment and machinery	<u>253,645</u>	<u>289,009</u>	<u>-</u>	<u>542,654</u>
Total capital assets being depreciated	<u>\$ 27,697,783</u>	<u>\$ 1,046,832</u>	<u>\$ -</u>	<u>\$ 28,744,615</u>
Less accumulated depreciation for:				
Plant	\$ 2,273,022	\$ 661,522	\$ -	\$ 2,934,544
Vehicles	2,211,844	318,632	-	2,530,476
Equipment and machinery	<u>247,775</u>	<u>55,560</u>	<u>-</u>	<u>303,335</u>
Total accumulated depreciation	<u>\$ 4,732,641</u>	<u>\$ 1,035,714</u>	<u>\$ -</u>	<u>\$ 5,768,355</u>
Total capital assets being depreciated, net	<u>\$ 22,965,142</u>	<u>\$ 11,118</u>	<u>\$ -</u>	<u>\$ 22,976,260</u>
Mass Transit fund capital assets, net	<u><u>\$ 24,108,557</u></u>	<u><u>\$ 11,118</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,119,675</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</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>\$ 931,641</u>	<u>\$ 56,000</u>	<u>\$ -</u>	<u>\$ 987,641</u>
Less accumulated depreciation for:				
Land improvements	\$ 215,108	\$ 61,842	\$ -	\$ 276,950
Total accumulated depreciation	<u>\$ 215,108</u>	<u>\$ 61,842</u>	<u>\$ -</u>	<u>\$ 276,950</u>
Total capital assets being depreciated, net	<u>\$ 716,533</u>	<u>\$ (5,842)</u>	<u>\$ -</u>	<u>\$ 710,691</u>
Golf Course fund capital assets, net	<u>\$ 4,099,580</u>	<u>\$ (5,842)</u>	<u>\$ -</u>	<u>\$ 4,093,738</u>
 Total Business-type Activities capital assets, net	 <u>\$ 44,518,902</u>	 <u>\$ 4,369,212</u>	 <u>\$ 1,789,248</u>	 <u>\$ 47,098,866</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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	\$	93,515
Judicial administration		197,231
Public safety		1,411,416
Public works		3,714,911
Health and welfare		176,467
Education		788,061
Parks, recreation and cultural		142,093
Community development		<u>26,212</u>

Total Governmental activities \$ 6,549,906

Business-type activities:

Public Utility Fund	\$	607,038
Mass Transit Fund		1,035,714
Golf Course Fund		<u>61,842</u>

Total Business-type activities \$ 1,704,594

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations:

Primary Government

The following is a summary of governmental long-term obligation transactions of the City for the year ended June 30, 2012:

Description	Balance July 1, 2011	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2012	Amounts Due Within One Year
Long-term obligation transactions:					
General obligation bonds	\$ 24,538,328	\$ 1,530,000	\$ 2,127,930	\$ 23,940,398	\$ 1,692,903
School Literary Fund loan	4,300,000	-	425,000	3,875,000	425,000
School Qualified Zone Academy Bonds	6,795,695	-	-	6,795,695	-
Note payable	3,155,393	-	580,830	2,574,563	603,482
Capital lease obligations	1,320,235	165,000	386,775	1,098,460	340,887
Landfill closure and post- closure liability	6,206,677	-	-	6,206,677	-
OPEB	441,000	236,000	132,000	545,000	-
Compensated absences	2,249,875	425,874	517,609	2,158,140	215,140
 Total Governmental Activities long-term obligations	 \$ 49,007,203	 \$ 2,356,874	 \$ 4,170,144	 \$ 47,193,933	 \$ 3,277,412
Short-term obligation transactions:					
Anticipation notes	-	6,000,000	6,000,000	-	-
 Total Governmental Activities obligations	 \$ 49,007,203	 \$ 8,356,874	 \$ 10,170,144	 \$ 47,193,933	 \$ 3,277,412

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize governmental activities obligations outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Loans		Notes Payable		Qualified Zone Academy Bonds	Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2013	\$ 1,692,903	\$ 700,695	\$ 425,000	\$ 77,500	\$ 603,482	\$ 99,795	\$ -	\$ 340,887	\$ 37,797
2014	1,593,372	649,775	425,000	69,000	627,018	76,259	-	317,602	24,528
2015	1,696,263	601,436	425,000	60,500	651,472	51,806	-	267,887	12,577
2016	1,748,619	550,266	425,000	52,000	692,591	26,398	1,400,000	154,469	3,766
2017	1,747,445	507,310	425,000	43,500	-	-	600,000	17,615	152
2018	1,418,166	470,551	425,000	35,000	-	-	-	-	-
2019	1,078,431	453,122	425,000	26,500	-	-	2,142,167	-	-
2020	1,093,719	439,208	425,000	18,000	-	-	-	-	-
2021	879,023	426,223	425,000	9,500	-	-	1,536,671	-	-
2022	889,344	414,265	50,000	1,000	-	-	-	-	-
2023	861,481	402,099	-	-	-	-	1,116,857	-	-
2024	876,835	389,449	-	-	-	-	-	-	-
2025	887,207	375,999	-	-	-	-	-	-	-
2026	897,598	362,021	-	-	-	-	-	-	-
2027	911,258	347,142	-	-	-	-	-	-	-
2028	409,937	331,195	-	-	-	-	-	-	-
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	\$ 23,940,398	\$ 9,284,309	\$ 3,875,000	\$ 392,500	\$ 2,574,563	\$ 254,258	\$ 6,795,695	\$ 1,098,460	\$ 78,820

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

The following is a summary of governmental long-term obligations as of June 30, 2012:

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2012</u>
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%	\$ 396,000
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)	2,193,062
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%	2,630,000
3,430,000	Series 2004B general obligation refunding bonds due in annual installments of \$60,000 to \$945,000 through March 2013, interest at 3.58% (\$1,330,000 of original issue allocated to governmental; \$2,100,000 to business-type)	81,429
4,355,000	Series 2005A general obligation refunding bonds due in annual installments of \$330,000 to \$505,000 through January 15, 2017, interest at 3.35% (\$3,282,057 of original issue allocated to governmental; \$1,072,943 to business-type)	1,797,407
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)	7,132,500
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	6,935,000
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	1,245,000
	Total general obligation bonds	<u>\$ 23,940,398</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Primary Government - Governmental Activities: (Continued)

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2012</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%	\$ 3,375,000
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%	500,000
	Total State Literary Fund Loans	<u>\$ 3,875,000</u>
	Qualified Zone Academy Bonds:	
1,400,000	(1) 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
600,000	(2) Series 2002 issued December 27, 2002, due in annual installments of \$34,124 through December 15, 2016	600,000
2,142,167	(3) Series 2003 issued December 29, 2003, due in annual installments of \$107,700 through December 29, 2017, final payment of \$182,500 due December 29, 2018	2,142,167
1,536,671	(4) Series 2004 issued December 30, 2004, due in annual installments of \$78,329 through December 30, 2019, final payment of \$153,667 due December 30, 2020	1,536,671
1,116,857	(5) Series 2006 issued October 31, 2006, due in annual installments of \$54,300 through October 31, 2022, final payment of \$111,686 due October 31, 2022	<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, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Primary Government - Governmental Activities: (Continued)

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2012</u>
	Notes 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		\$ <u>2,574,563</u>
	Notes Payable	\$ <u>2,574,563</u>
	Other Obligations:	
	Capital lease obligations	1,098,460
	Landfill closure and post-closure liability	6,206,677
	Other post employment benefits	545,000
	Compensated absences	<u>2,158,140</u>
	Total governmental activities obligations	<u>\$ 47,193,933</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, 2012 (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.

The following is a summary of proprietary long-term obligation transactions of the City for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Public Utility Fund:					
General obligation bonds	\$ 1,767,173	\$	\$ 334,070	\$ 1,433,103	\$ 352,084
Capital lease obligations	146,022	-	44,766	101,256	35,668
Compensated absences	<u>91,394</u>	<u>18,742</u>	<u>13,467</u>	<u>96,669</u>	<u>9,667</u>
Total Public Utility fund	<u>\$ 2,004,589</u>	<u>\$ 18,742</u>	<u>\$ 392,303</u>	<u>\$ 1,631,028</u>	<u>\$ 397,419</u>
Mass Transit Fund:					
Capital lease obligations	\$ 135,956	-	\$ 39,735	\$ 96,221	\$ 41,564
Compensated absences	<u>59,964</u>	<u>12,845</u>	<u>18,946</u>	<u>53,863</u>	<u>5,886</u>
Total Mass Transit fund	<u>\$ 195,920</u>	<u>\$ 12,845</u>	<u>\$ 58,681</u>	<u>\$ 150,084</u>	<u>\$ 47,450</u>
Golf Course Fund:					
General obligation bonds	\$ 3,940,500	-	\$ 63,000	\$ 3,877,500	\$ 64,750
Capital lease obligations	-	55,000	5,143	49,857	10,515
Compensated absences	<u>21,655</u>	<u>3,142</u>	<u>6,891</u>	<u>17,906</u>	<u>1,791</u>
Total Golf Course fund	<u>\$ 3,962,155</u>	<u>\$ 58,142</u>	<u>\$ 75,034</u>	<u>\$ 3,945,263</u>	<u>\$ 77,056</u>
Total Business-type Activities	<u>\$ 6,162,664</u>	<u>\$ 89,729</u>	<u>\$ 526,018</u>	<u>\$ 5,726,375</u>	<u>\$ 521,925</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

The following is a summary of business-type activity long-term obligations transactions as of June 30, 2012:

Primary Government - Business-Type Activities:

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2012</u>
	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)	\$ 716,938
3,430,000	Series 2004B general obligation refunding bonds due in annual installments of \$60,000 to \$945,000 through March 2013, interest at 3.58% (\$1,330,000 of original issue allocated to governmental; \$2,100,000 to business-type)	128,571
4,355,000	Series 2005A general obligation refunding bonds due in annual installments of \$330,000 to \$505,000 through January 15, 2017, interest at 3.35% (\$3,282,057 of original issue allocated to governmental; \$1,072,943 to business-type)	587,594
	Total general obligation bonds	\$ 1,433,103
	Capital Lease Obligations	\$ 101,256
	Compensated absences	96,669
	Total Public Utility Fund	\$ 1,631,028
	Mass Transit Fund:	
	Capital Lease Obligation	\$ 96,221
	Compensated absences	53,863
	Total Mass Transit Fund	\$ 150,084
	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)	\$ 3,877,500
	Total general obligation bonds	
	Capital Lease Obligations	49,857
	Compensated absences	17,906
	Total Golf Course Fund	\$ 3,945,263
	Total business-type activities	\$ 5,726,375

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize business-type activities obligations outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds				Capital Lease Obligations						
	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	
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2013	352,804	42,689	64,750	187,514	35,668	3,061	41,564	3,487	10,515	1,329	
2014	230,753	30,054	68,250	184,320	36,973	1,755	43,478	1,574	10,830	1,015	
2015	238,575	23,363	71,750	180,850	28,615	431	11,179	84	11,153	691	
2016	245,237	16,436	75,250	177,084	-	-	-	-	11,487	358	
2017	250,740	9,311	78,750	173,137	-	-	-	-	5,872	51	
2018	114,994	1,409	84,000	168,967	-	-	-	-	-	-	
2019	-	-	87,500	164,572	-	-	-	-	-	-	
2020	-	-	92,750	159,953	-	-	-	-	-	-	
2021	-	-	98,000	155,065	-	-	-	-	-	-	
2022	-	-	103,250	150,057	-	-	-	-	-	-	
2023	-	-	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	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	<u>1,433,103</u>	<u>123,262</u>	<u>3,877,500</u>	<u>3,224,457</u>	<u>101,256</u>	<u>5,247</u>	<u>96,221</u>	<u>5,145</u>	<u>49,857</u>	<u>3,444</u>	

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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%	\$ 237,250	\$ -	\$ 237,250
\$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%	19,980	-	19,980
\$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%	39,002	-	39,002
\$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%	360,031	-	360,031
\$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%	241,986	101,256	343,242
\$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%	149,572	49,857	199,429
\$63,500 issued September 26, 2007 for the purchase of a Maintenance Department IH stake body truck; payable in monthly installments of \$1,184 through September 2012; interest at 4.51%	3,526	-	3,526
\$99,785 issued September 26, 2007 for the purchase of five Ford Explorers for Police Department; payable in monthly installments of \$1,858 through September 2012; interest at 4.45%	5,533	-	5,533

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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%	-	96,221	96,221
\$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%	32,737	-	32,737
\$69,711 issued January 25, 2008 for the purchase of 2007 Chevrolet bus for Public Works Department; payable in monthly installments of \$1,279 through January 2013; interest at 3.87%	8,843	-	8,843
Total capital lease obligations	<u>\$ 1,098,460</u>	<u>\$ 247,334</u>	<u>\$ 1,345,794</u>
Total equipment cost of assets acquired through capital lease	\$ 3,481,068	\$ 1,050,841	\$ 4,531,909
Total accumulated depreciation on assets acquired through capital lease	(1,891,154)	(737,990)	(2,629,144)
Net remaining book value	<u>\$ 1,589,914</u>	<u>\$ 312,851</u>	<u>\$ 1,902,765</u>

	<u>Date Issued</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2012</u>
Tax Revenue anticipation note	9/30/2011	\$ -	\$ 6,000,000	\$ 6,000,000	\$ -
		<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ -</u>

Revenue anticipation notes were used to provide funds to aid the City in cash flow requirements.

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

Business-Type Activities

The general obligation bonds payable totaling \$1,433,103 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 \$3,877,500 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, 2012 (Continued)

Note 8—Deferred / Unearned Revenue:

Deferred / unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred / unearned revenue totaling \$5,691,614 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$5,679,557 at June 30, 2012.

B. Unearned Revenue Other

The City has received \$12,057 in grant funds which are unexpended at year end.

<u>Deferred / Unearned Revenue Item</u>	<u>Governmental Funds</u>			
	<u>General Fund</u>	<u>Federal and State Projects Fund</u>	<u>Total Governmental Funds</u>	<u>Entity-Wide Activities</u>
Litter control state grant funding	\$ -	\$ 12,057	\$ 12,057	\$ 12,057
Local delinquent real and personal property taxes	5,679,557	-	5,679,557	-
	<u>\$ 5,679,557</u>	<u>\$ 12,057</u>	<u>\$ 5,691,614</u>	<u>\$ 12,057</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.

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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 10—Risk Management: (Continued)

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, 2012, 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 employees of participating employers and (professional) employees of public school divisions 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 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 have service credits before July 1, 2010 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 who have no service credits before July 1, 2010 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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. 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 report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-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% of their annual salary to the VRS. All or part of this 5% member contribution may be assumed by the employer. 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 employee's contribution rate for the fiscal year ended 2012 was 9.42% of annual covered payroll.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 12—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2012 the City’s annual pension cost of \$2,349,394 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, 2012	\$ 2,349,394	100%	\$ -
June 30, 2011	2,340,106	100%	-
June 30, 2010	1,833,951	100%	-

(1) Employer portion only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 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% per year. 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 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’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the City’s plan was 79.52% funded. The actuarial accrued liability for benefits was \$153,590,629, and the actuarial value of assets was \$122,133,745 resulting in an unfunded actuarial accrued liability (UAAL) of \$31,456,884. The covered payroll (annual payroll of active employees covered by the plan) was \$25,157,467 and ratio of the UAAL to the covered payroll was 125.04%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012 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 2012. 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.

Note 14—Expenditures and Appropriations:

Expenditures exceeded appropriations at June 30, 2012 as follows:

<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Amount</u>
General government administration	\$ 4,214,495	\$ 4,623,610	\$ 409,115
Public safety	26,009,587	28,182,268	2,172,681
Public works	10,925,643	11,623,871	698,228
Parks, recreation and cultural	1,909,394	2,365,635	456,241
Debt service:			
Principal retirement	3,001,092	3,454,279	453,187
Interest and fiscal charges	1,059,287	1,104,913	45,626
Nondepartmental	1,665,934	1,968,166	302,232

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 15—Other Post-Employment Benefits Program:

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 County. 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, 2012. 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 2012. 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, 2012, 2011 and 2010 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, 2012	\$ 236,000	51% \$	545,000
June 30, 2011	228,000	35%	441,000
June 30, 2010	287,000	35%	329,000

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

Annual OPEB Cost: (Continued)

For 2012, the City's cash payments of \$132,000 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 2012 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>132,000</u>
Increase (decrease) in net OPEB obligation	\$ 104,000
Net OPEB obligation - beginning of year	441,000
Net OPEB obligation - end of year	<u><u>\$ 545,000</u></u>

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 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, 2012 (Continued)

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

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

Cost Method

In the June 30, 2011 (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 up to 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, 2012 (Continued)

Note 17–Net Asset Adjustment:

Net Assets in the Golf Course Fund were restated as of June 30, 2011 as follows:

	<u>Golf Course Fund</u>
Net assets, as previously reported	\$ (1,916,446)
Adjustment for:	
Sales tax payment made to Commonwealth of Virginia Department of Taxation	<u>(56,500)</u>
Total adjustments	\$ <u>(56,500)</u>
Net assets, as restated	<u><u>\$ (1,972,946)</u></u>

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 32,983,000	\$ 32,983,000	\$ 33,388,519	\$ 405,519
Other local taxes	10,845,600	10,845,600	11,281,505	435,905
Permits, privilege fees and regulatory licenses	328,250	328,250	559,870	231,620
Fines and forfeitures	723,000	723,000	786,925	63,925
Revenue from use of money and property	240,000	240,000	360,792	120,792
Charges for services	2,117,250	2,139,839	1,966,884	(172,955)
Miscellaneous	313,000	435,848	438,527	2,679
Intergovernmental:				
Commonwealth	25,239,045	25,515,246	22,309,168	(3,206,078)
Federal	4,000,000	4,088,395	5,123,615	1,035,220
Total revenues	\$ 76,789,145	\$ 77,299,178	\$ 76,215,805	\$ (1,083,373)
Expenditures:				
Current:				
General government administration	\$ 4,190,317	\$ 4,214,495	\$ 4,623,610	\$ (409,115)
Judicial administration	2,189,591	2,203,841	1,942,608	261,233
Public safety	25,364,591	26,009,587	28,182,268	(2,172,681)
Public works	10,070,990	10,925,643	11,623,871	(698,228)
Health and welfare	15,670,236	15,830,816	12,687,300	3,143,516
Education	9,948,000	10,293,000	7,934,373	2,358,627
Parks, recreation, and cultural	1,872,695	1,909,394	2,365,635	(456,241)
Community development	3,200,626	3,233,724	3,070,543	163,181
Debt service:				
Principal retirement	3,001,092	3,001,092	3,454,279	(453,187)
Interest and other fiscal charges	1,059,287	1,059,287	1,104,913	(45,626)
Nondepartmental	1,157,470	1,665,934	1,968,166	(302,232)
Total expenditures	\$ 77,724,895	\$ 80,346,813	\$ 78,957,566	\$ 1,389,247
Excess (deficiency) of revenues over expenditures	\$ (935,750)	\$ (3,047,635)	\$ (2,741,761)	\$ 305,874
Other financing sources:				
Transfers in	\$ -	\$ 130,000	\$ 301,946	\$ 171,946
Issuance of capital leases	-	-	165,000	165,000
Total other financing sources	\$ -	\$ 130,000	\$ 466,946	\$ 336,946
Changes in fund balance	\$ (935,750)	\$ (2,917,635)	\$ (2,274,815)	\$ 642,820
Fund balances at beginning of year	935,750	2,917,635	24,183,112	21,265,477
Fund balances at end of year	\$ -	\$ -	\$ 21,908,297	\$ 21,908,297

Schedules of Funding Progress for the Virginia Retirement System and
Other Post Employment Benefits
Last Three Fiscal Years

Virginia Retirement System

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)		Funded Ratio (d) (a) / (b)	Annual Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
			Actuarial Accrued (UAAL) (c) (b) - (a)				
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%
6/30/2009	124,045,871	134,738,581	10,692,710		92.06%	24,957,555	42.84%

Other Post Employment Benefits

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)		Funded Ratio (d) (a) / (b)	Annual Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
			Actuarial Accrued (UAAL) (c) (b) - (a)				
6/30/2011	\$ -	\$ 2,909,000	\$ 2,909,000		0.00%	\$ 24,696,000	11.78%
6/30/2011	-	2,796,000	2,796,000		0.00%	24,696,000	11.32%
6/30/2010		3,098,000	3,098,000		0.00%	18,933,000	16.36%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2012

	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	\$ 90,791	\$ 242,121	\$ 250,071	\$ -	\$ -	\$ 582,983
Restricted cash	-	-	1,771,666	19,009	2,000	1,792,675
Due from other governments	92,291	154,351	-	-	-	246,642
Total assets	\$ 183,082	\$ 396,472	\$ 2,021,737	\$ 19,009	\$ 2,000	\$ 2,622,300
LIABILITIES						
Accounts payable	\$ 49,963	\$ 54,925	\$ -	\$ -	\$ -	\$ 104,888
Due to other funds	-	-	250,071	-	-	250,071
Deferred revenue	12,057	-	-	-	-	12,057
Total liabilities	\$ 62,020	\$ 54,925	\$ 250,071	\$ -	\$ -	\$ 367,016
FUND BALANCES						
Fund balance:						
Nonspendable:						
Cemetery Perpetual care	\$ -	\$ -	\$ 1,771,666	\$ -	\$ -	\$ 1,771,666
McKenney scholarships	-	-	-	19,009	-	19,009
Library	-	-	-	-	2,000	2,000
Restricted:						
Grants	121,062	341,547	-	-	-	462,609
Total fund balances	\$ 121,062	\$ 341,547	\$ 1,771,666	\$ 19,009	\$ 2,000	\$ 2,255,284
Total liabilities and fund balances	\$ 183,082	\$ 396,472	\$ 2,021,737	\$ 19,009	\$ 2,000	\$ 2,622,300

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2012

	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	\$ -	\$ -	\$ 19,963	\$ 8	\$ -	\$ 19,971
Charges for services	-	-	4,900	-	-	4,900
Recovered costs	35,881	85	-	-	-	35,966
Intergovernmental:						-
Commonwealth	401,111	-	-	-	-	401,111
Federal	537,576	505,493	-	-	-	1,043,069
Total revenues	\$ 974,568	\$ 505,578	\$ 24,863	\$ 8	\$ -	\$ 1,505,017
Expenditures:						
Public safety	\$ 881,153	\$ -	\$ -	\$ -	\$ -	\$ 881,153
Education	168,395	-	-	-	-	168,395
Planning and community development	-	132,953	-	-	-	132,953
Total expenditures	\$ 1,049,548	\$ 132,953	\$ -	\$ -	\$ -	\$ 1,182,501
Excess (deficiency) of revenues over expenditures	\$ (74,980)	\$ 372,625	\$ 24,863	\$ 8	\$ -	\$ 322,516
Other financing sources (uses):						
Transfers (out)	\$ -	\$ (283,471)	\$ (80,000)	\$ -	\$ -	\$ (363,471)
Total other financing sources (uses)	\$ -	\$ (283,471)	\$ (80,000)	\$ -	\$ -	\$ (363,471)
Changes in fund balances	\$ (74,980)	\$ 89,154	\$ (55,137)	\$ 8	\$ -	\$ (40,955)
Fund balances at beginning of year	196,042	252,393	1,826,803	19,001	2,000	2,296,239
Fund balances at end of year	\$ 121,062	\$ 341,547	\$ 1,771,666	\$ 19,009	\$ 2,000	\$ 2,255,284

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, 2012

	<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:				
Recovered costs	\$ -	\$ 55,875	\$ 35,881	\$ (19,994)
Intergovernmental:				
Commonwealth	-	403,647	401,111	(2,536)
Federal	-	985,576	537,576	(448,000)
Total revenues	<u>\$ -</u>	<u>\$ 1,445,098</u>	<u>\$ 974,568</u>	<u>\$ (470,530)</u>
Expenditures:				
Current:				
Public safety	\$ 65,004	\$ 1,372,952	\$ 881,153	\$ 491,799
Education	-	215,000	168,395	46,605
Planning and community development	-	-	-	-
Total expenditures	<u>\$ 65,004</u>	<u>\$ 1,587,952</u>	<u>\$ 1,049,548</u>	<u>\$ 538,404</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (65,004)</u>	<u>\$ (142,854)</u>	<u>\$ (74,980)</u>	<u>\$ 67,874</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Changes in fund balances	\$ (65,004)	\$ (142,854)	\$ (74,980)	\$ 67,874
Fund balance at beginning of the year	<u>65,004</u>	<u>142,854</u>	<u>196,042</u>	<u>53,188</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 121,062</u></u>	<u><u>\$ 121,062</u></u>

Community Development Act Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
\$ -	\$ -	\$ 85	\$ 85
-	-	-	-
<u>-</u>	<u>598,000</u>	<u>505,493</u>	<u>(92,507)</u>
<u>\$ -</u>	<u>\$ 598,000</u>	<u>\$ 505,578</u>	<u>\$ (92,422)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>-</u>	<u>598,000</u>	<u>132,953</u>	<u>465,047</u>
<u>\$ -</u>	<u>\$ 598,000</u>	<u>\$ 132,953</u>	<u>\$ 465,047</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,625</u>	<u>\$ 372,625</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (283,471)</u>	<u>\$ (283,471)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (283,471)</u>	<u>\$ (283,471)</u>
\$ -	\$ -	\$ 89,154	\$ 89,154
-	-	252,393	252,393
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,547</u>	<u>\$ 341,547</u>

Combining Statement of Fiduciary Net Assets - Agency Funds
At June 30, 2012

	<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	\$ 58,185	\$ 197,188	\$ 71,785	\$ 134,492	\$ 461,650
Land held for resale	-	-	-	2,403,380	2,403,380
Total assets	<u>\$ 58,185</u>	<u>\$ 197,188</u>	<u>\$ 71,785</u>	<u>\$ 2,537,872</u>	<u>\$ 2,865,030</u>
LIABILITIES					
Amounts held for social services clients	\$ 58,185	\$ -	\$ -	\$ -	\$ 58,185
Amounts held for others	-	197,185	71,785	37,872	306,842
Note payable	-	-	-	2,500,000	2,500,000
Inmate telephone account	-	3	-	-	3
Total liabilities	<u>\$ 58,185</u>	<u>\$ 197,188</u>	<u>\$ 71,785</u>	<u>\$ 2,537,872</u>	<u>\$ 2,865,030</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 57,801	\$ 73,533	\$ 73,149	\$ 58,185
Total assets	<u>\$ 57,801</u>	<u>\$ 73,533</u>	<u>\$ 73,149</u>	<u>\$ 58,185</u>
Liabilities:				
Amounts held for others	\$ 57,801	\$ 73,533	\$ 73,149	\$ 58,185
Total liabilities	<u>\$ 57,801</u>	<u>\$ 73,533</u>	<u>\$ 73,149</u>	<u>\$ 58,185</u>
Jail Inmate Fund:				
Assets:				
Cash and cash equivalents	\$ 355,312	\$ 363,525	\$ 521,649	\$ 197,188
Total assets	<u>\$ 355,312</u>	<u>\$ 363,525</u>	<u>\$ 521,649</u>	<u>\$ 197,188</u>
Liabilities:				
Amounts held for others	\$ 234,011	\$ 320,654	\$ 357,480	\$ 197,185
Inmate telephone account	121,301	42,871	164,169	3
Total liabilities	<u>\$ 355,312</u>	<u>\$ 363,525</u>	<u>\$ 521,649</u>	<u>\$ 197,188</u>
Industrial Development Authority:				
Assets:				
Cash and cash equivalents	\$ 316,833	\$ 2,510,187	\$ 2,692,528	\$ 134,492
Land held for resale	-	2,403,380	-	2,403,380
Deposit on land	10,000	-	10,000	-
Total assets	<u>\$ 326,833</u>	<u>\$ 4,913,567</u>	<u>\$ 2,702,528</u>	<u>\$ 2,537,872</u>
Liabilities:				
Amounts held for others	\$ 326,833	\$ 2,413,567	\$ 2,702,528	\$ 37,872
Note payable	-	2,500,000	-	2,500,000
Total liabilities	<u>\$ 326,833</u>	<u>\$ 4,913,567</u>	<u>\$ 2,702,528</u>	<u>\$ 2,537,872</u>
Drug Seizure Fund:				
Assets:				
Cash and cash equivalents	\$ 60,380	\$ 86,647	\$ 75,242	\$ 71,785
Total assets	<u>\$ 60,380</u>	<u>\$ 86,647</u>	<u>\$ 75,242</u>	<u>\$ 71,785</u>
Liabilities:				
Amounts held for others	\$ 60,380	\$ 86,647	\$ 75,242	\$ 71,785
Total liabilities	<u>\$ 60,380</u>	<u>\$ 86,647</u>	<u>\$ 75,242</u>	<u>\$ 71,785</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 790,326	\$ 3,033,892	\$ 3,362,568	\$ 461,650
Land held for resale	-	2,403,380	-	2,403,380
Deposit on land	10,000	-	10,000	-
Total assets	<u>\$ 800,326</u>	<u>\$ 5,437,272</u>	<u>\$ 3,372,568</u>	<u>\$ 2,865,030</u>
Liabilities:				
Amounts held for others	\$ 679,025	\$ 2,894,401	\$ 3,208,399	\$ 365,027
Note payable	-	2,500,000	-	2,500,000
Inmate telephone account	121,301	42,871	164,169	3
Total liabilities	<u>\$ 800,326</u>	<u>\$ 5,437,272</u>	<u>\$ 3,372,568</u>	<u>\$ 2,865,030</u>

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Supporting Schedules

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Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012

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	\$ 22,740,000	\$ 22,740,000	\$ 23,340,863	\$ 600,863
Real and personal public service corporation property taxes	1,345,000	1,345,000	1,462,719	117,719
Personal property taxes	4,050,000	4,050,000	4,132,234	82,234
Mobile home taxes	18,000	18,000	15,522	(2,478)
Machinery and tools taxes	4,180,000	4,180,000	3,680,727	(499,273)
Penalties	410,000	410,000	443,704	33,704
Interest	240,000	240,000	312,750	72,750
Total general property taxes	<u>\$ 32,983,000</u>	<u>\$ 32,983,000</u>	<u>\$ 33,388,519</u>	<u>\$ 405,519</u>
Other local taxes:				
Local sales and use taxes	\$ 3,675,000	\$ 3,675,000	\$ 3,755,828	\$ 80,828
Consumer utility taxes	1,680,000	1,680,000	1,658,993	(21,007)
Business license taxes	2,450,000	2,450,000	2,931,183	481,183
Bank stock taxes	186,000	186,000	176,024	(9,976)
Motor vehicle licenses	525,000	525,000	511,083	(13,917)
Taxes on recordation and wills	335,500	335,500	172,313	(163,187)
Cigarette taxes	210,000	210,000	215,275	5,275
Admission and amusement taxes	8,100	8,100	7,465	(635)
Lodging taxes	426,000	426,000	294,194	(131,806)
Meals taxes	1,350,000	1,350,000	1,559,147	209,147
Total other local taxes	<u>\$ 10,845,600</u>	<u>\$ 10,845,600</u>	<u>\$ 11,281,505</u>	<u>\$ 435,905</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 6,735	\$ (265)
Other permits and licenses	321,250	321,250	553,135	231,885
Total permits, privilege fees and regulatory licenses	<u>\$ 328,250</u>	<u>\$ 328,250</u>	<u>\$ 559,870</u>	<u>\$ 231,620</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 680,000	\$ 680,000	\$ 698,202	\$ 18,202
Other fines and forfeitures	43,000	43,000	88,723	45,723
Total fines and forfeitures	<u>\$ 723,000</u>	<u>\$ 723,000</u>	<u>\$ 786,925</u>	<u>\$ 63,925</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ -	\$ -	\$ 123,976	\$ 123,976
Revenue from use of property	240,000	240,000	236,816	(3,184)
Total revenue from use of money and property	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 360,792</u>	<u>\$ 120,792</u>
Charges for services:				
EMS transportation fees	\$ 60,000	\$ 60,000	\$ 25,667	\$ (34,333)
Court costs	189,900	189,900	208,703	18,803
Commonwealth attorney fees	1,900	1,900	4,712	2,812
Sheriff fees	33,100	33,100	30,728	(2,372)
Fire protection services	1,250	1,250	1,245	(5)
Other protection	900	900	1,801	901
Sanitation and waste removal	1,750,000	1,750,000	1,576,648	(173,352)
Sports complex fees	-	-	20,713	20,713
Recreation fees	23,000	45,589	39,909	(5,680)
Tourism charges	32,000	32,000	35,081	3,081
Other services rendered	1,200	1,200	97	(1,103)
Library fees	24,000	24,000	21,580	(2,420)
Total charges for services	<u>\$ 2,117,250</u>	<u>\$ 2,139,839</u>	<u>\$ 1,966,884</u>	<u>\$ (172,955)</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 30,000	\$ 30,000	\$ 33,917	\$ 3,917
Sale of real estate	-	-	240,853	240,853
Other miscellaneous revenue	283,000	405,848	163,757	(242,091)
Total miscellaneous revenue	<u>\$ 313,000</u>	<u>\$ 435,848</u>	<u>\$ 438,527</u>	<u>\$ 2,679</u>
Total revenue from local sources	<u>\$ 47,550,100</u>	<u>\$ 47,695,537</u>	<u>\$ 48,783,022</u>	<u>\$ 1,087,485</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ -	\$ -	\$ 3,046	\$ 3,046
Tax on deeds	65,000	65,000	28,295	(36,705)
Rolling stock tax	68,000	68,000	2,352	(65,648)
Auto rental tax	73,000	73,000	125,386	52,386
Communications tax	1,925,000	1,925,000	1,876,777	(48,223)
PPTRA	<u>2,726,000</u>	<u>2,726,000</u>	<u>2,726,040</u>	<u>40</u>
Total noncategorical aid	<u>\$ 4,857,000</u>	<u>\$ 4,857,000</u>	<u>\$ 4,761,896</u>	<u>\$ (95,104)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 634,000	\$ 634,000	\$ 661,279	\$ 27,279
Sheriff	3,000,000	3,000,000	3,154,204	154,204
Commissioner of the Revenue	131,000	131,000	132,344	1,344
Treasurer	102,400	102,400	103,014	614
Medical examiner	200	200	-	(200)
Registrar/electoral board	40,835	40,835	64,631	23,796
Clerk of the Circuit Court	<u>314,000</u>	<u>314,000</u>	<u>332,155</u>	<u>18,155</u>
Total shared expenses	<u>\$ 4,222,435</u>	<u>\$ 4,222,435</u>	<u>\$ 4,447,627</u>	<u>\$ 225,192</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 5,658,200	\$ 5,658,200	\$ 3,301,055	\$ (2,357,145)
Comprehensive services act grant	2,365,000	2,365,000	1,865,943	(499,057)
Law enforcement	1,907,670	1,907,670	1,540,346	(367,324)
Street and highway maintenance	4,731,000	4,731,000	4,907,577	176,577
Library	133,840	133,840	141,719	7,879
Fire program funds	95,000	95,000	86,665	(8,335)
Adult confinement	530,000	530,000	559,548	29,548
E911 wireless program	360,000	360,000	469,318	109,318
Other state funds	<u>378,900</u>	<u>655,101</u>	<u>227,474</u>	<u>(427,627)</u>
Total other categorical aid	<u>\$ 16,159,610</u>	<u>\$ 16,435,811</u>	<u>\$ 13,099,645</u>	<u>\$ (3,336,166)</u>
Total categorical aid	<u>\$ 20,382,045</u>	<u>\$ 20,658,246</u>	<u>\$ 17,547,272</u>	<u>\$ (3,110,974)</u>
Total revenue from the Commonwealth	<u>\$ 25,239,045</u>	<u>\$ 25,515,246</u>	<u>\$ 22,309,168</u>	<u>\$ (3,206,078)</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ 4,000,000	\$ 4,000,000	\$ 4,463,524	\$ 463,524
Other federal grants	-	88,395	660,091	571,696
Total revenue from the federal government	<u>\$ 4,000,000</u>	<u>\$ 4,088,395</u>	<u>\$ 5,123,615</u>	<u>\$ 1,035,220</u>
Total General Fund	<u><u>\$ 76,789,145</u></u>	<u><u>\$ 77,299,178</u></u>	<u><u>\$ 76,215,805</u></u>	<u><u>\$ (1,083,373)</u></u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,634	\$ 2,634
Miscellaneous revenue:				
RZED subsidy	\$ -	\$ -	\$ 33,777	\$ 33,777
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,777</u>	<u>\$ 33,777</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,411</u>	<u>\$ 36,411</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of Transportation	\$ -	\$ -	\$ 763,981	\$ 763,981
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763,981</u>	<u>\$ 763,981</u>
Revenue from the federal government:				
Categorical aid:				
Other federal funds	\$ -	\$ 125,000	\$ -	\$ (125,000)
Total Capital Projects Fund	<u><u>\$ -</u></u>	<u><u>\$ 125,000</u></u>	<u><u>\$ 800,392</u></u>	<u><u>\$ 675,392</u></u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (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:				
Recovered costs:				
Rebates and refunds	\$ -	\$ 55,875	\$ 35,881	\$ (19,994)
Total recovered costs	<u>\$ -</u>	<u>\$ 55,875</u>	<u>\$ 35,881</u>	<u>\$ (19,994)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 55,875</u>	<u>\$ 35,881</u>	<u>\$ (19,994)</u>
Revenue from the Commonwealth:				
Intergovernmental:				
Other categorical aid:				
Criminal justice corrections grants	\$ -	\$ 233,755	\$ 223,145	\$ (10,610)
Victim witness grants	-	48,892	45,547	(3,345)
VJCCCA grant	-	84,000	84,000	-
Other state revenue	-	37,000	48,419	11,419
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 403,647</u>	<u>\$ 401,111</u>	<u>\$ (2,536)</u>
Revenue from the federal government:				
Intergovernmental:				
Categorical aid:				
Summer lunch program	\$ -	\$ 215,000	\$ 126,872	\$ (88,128)
POWER program	-	91,561	87,202	(4,359)
Criminal justice services - victim witness	-	146,675	136,713	(9,962)
Other federal grants	-	532,340	186,789	(345,551)
Total revenue from the Federal Government	<u>\$ -</u>	<u>\$ 985,576</u>	<u>\$ 537,576</u>	<u>\$ (448,000)</u>
Total Federal and State Projects Fund	<u><u>\$ -</u></u>	<u><u>\$ 1,445,098</u></u>	<u><u>\$ 974,568</u></u>	<u><u>\$ (470,530)</u></u>
Community Development Act Fund:				
Revenue from local sources:				
Recovered costs:				
Rebates and refunds	\$ -	-	\$ 85	\$ 85
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 85</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 598,000	\$ 505,493	\$ (92,507)
Total revenue from the Federal Government	<u>\$ -</u>	<u>\$ 598,000</u>	<u>\$ 505,493</u>	<u>\$ (92,507)</u>
Total Community Development Act Fund	<u><u>\$ -</u></u>	<u><u>\$ 598,000</u></u>	<u><u>\$ 505,578</u></u>	<u><u>\$ (92,422)</u></u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ -	\$ -	\$ 19,963	\$ 19,963
Total revenue from use of money and property	\$ -	\$ -	\$ 19,963	\$ 19,963
Charges for services:				
Sale of lots	\$ -	\$ -	\$ 4,900	\$ 4,900
Total charges for services	\$ -	\$ -	\$ 4,900	\$ 4,900
Total Blandford Cemetery Perpetual Care Fund	\$ -	\$ -	\$ 24,863	\$ 24,863
Clara J. McKenney Memorial Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 8	\$ 8
Total revenue from use of money and property	\$ -	\$ -	\$ 8	\$ 8
Total Clara J. McKenney Memorial Fund	\$ -	\$ -	\$ 8	\$ 8
Total Non-major Funds	\$ -	\$ 2,043,098	\$ 1,505,017	\$ (538,081)
Total Revenues	\$ 76,789,145	\$ 79,467,276	\$ 78,521,214	\$ (946,062)

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2012

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	\$ 258,420	\$ 258,990	\$ 379,780	\$ (120,790)
General and financial administration:				
City Manager	\$ 368,450	\$ 369,590	\$ 464,227	\$ (94,637)
Legal services	243,700	244,270	195,941	48,329
Personnel	184,700	186,410	204,495	(18,085)
Commissioner of the Revenue	289,600	292,450	296,847	(4,397)
Assessor	340,510	343,360	310,246	33,114
Treasurer	301,890	304,170	311,372	(7,202)
Finance Director	307,070	307,070	305,767	1,303
Accounting	220,850	223,130	251,108	(27,978)
Purchasing and general services	197,330	197,900	91,007	106,893
Data processing	153,280	153,850	170,958	(17,108)
Motor vehicle repair	874,901	881,979	1,059,537	(177,558)
Insurance - financial	113,330	113,900	110,869	3,031
Virginia Municipal League	11,546	11,546	11,546	-
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	\$ 3,611,657	\$ 3,634,125	\$ 3,785,420	\$ (151,295)
Board of Elections:				
Electoral board and officials	\$ 129,440	\$ 129,440	\$ 158,142	\$ (28,702)
Registrar	190,800	191,940	300,268	(108,328)
Total board of elections	\$ 320,240	\$ 321,380	\$ 458,410	\$ (137,030)
Total general government administration	\$ 4,190,317	\$ 4,214,495	\$ 4,623,610	\$ (409,115)
Judicial administration:				
Courts:				
Circuit court	\$ 117,976	\$ 118,546	\$ 123,629	\$ (5,083)
General district court	104,600	104,600	63,452	41,148
Magistrates	4,865	4,865	1,757	3,108
Juvenile justice	57,610	50,610	58,409	(7,799)
District J & D relations court	26,800	26,800	15,252	11,548
Clerk of the Circuit Court	638,040	643,740	607,799	35,941
Juvenile court services	240,640	248,780	130,803	117,977
Total courts	\$ 1,190,531	\$ 1,197,941	\$ 1,001,101	\$ 196,840

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ 999,060	\$ 1,005,900	\$ 941,507	\$ 64,393
Total judicial administration	<u>\$ 2,189,591</u>	<u>\$ 2,203,841</u>	<u>\$ 1,942,608</u>	<u>\$ 261,233</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 9,888,360	\$ 10,117,600	\$ 11,390,281	\$ (1,272,681)
Criminal justice academy	<u>81,136</u>	<u>81,136</u>	<u>80,135</u>	<u>1,001</u>
Total law enforcement and traffic control	<u>\$ 9,969,496</u>	<u>\$ 10,198,736</u>	<u>\$ 11,470,416</u>	<u>\$ (1,271,680)</u>
Fire and rescue services:				
Fire department	\$ 6,628,365	\$ 6,715,340	\$ 6,902,857	\$ (187,517)
Contribution to Southside VA Emergency Crew	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total fire and rescue services	<u>\$ 6,928,365</u>	<u>\$ 7,015,340</u>	<u>\$ 7,202,857</u>	<u>\$ (187,517)</u>
Correction and detention:				
City jail	\$ 7,810,480	\$ 8,136,981	\$ 8,793,088	\$ (656,107)
Juvenile detention home	<u>459,405</u>	<u>459,405</u>	<u>459,402</u>	<u>3</u>
Total correction and detention	<u>\$ 8,269,885</u>	<u>\$ 8,596,386</u>	<u>\$ 9,252,490</u>	<u>\$ (656,104)</u>
Other protection:				
Animal control	\$ 196,845	\$ 199,125	\$ 256,505	\$ (57,380)
Total other protection	<u>\$ 196,845</u>	<u>\$ 199,125</u>	<u>\$ 256,505</u>	<u>\$ (57,380)</u>
Total public safety	<u>\$ 25,364,591</u>	<u>\$ 26,009,587</u>	<u>\$ 28,182,268</u>	<u>\$ (2,172,681)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works	\$ 582,300	\$ 583,440	\$ 757,709	\$ (174,269)
Engineering	532,990	629,920	607,165	22,755
Street maintenance	<u>3,421,820</u>	<u>3,901,734</u>	<u>4,216,996</u>	<u>(315,262)</u>
Total highways, streets, bridges and sidewalks	<u>\$ 4,537,110</u>	<u>\$ 5,115,094</u>	<u>\$ 5,581,870</u>	<u>\$ (466,776)</u>

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ 1,130,030	\$ 1,130,030	\$ 1,587,110	\$ (457,080)
Total sanitation and waste removal	\$ 1,130,030	\$ 1,130,030	\$ 1,587,110	\$ (457,080)
Maintenance of general buildings and grounds:				
Building maintenance	\$ 3,554,020	\$ 3,836,873	\$ 3,671,347	\$ 165,526
Property and liability insurance	537,880	529,416	478,498	50,918
Cemeteries maintenance	311,950	314,230	305,046	9,184
Total maintenance of general buildings and grounds	\$ 4,403,850	\$ 4,680,519	\$ 4,454,891	\$ 225,628
Total public works	\$ 10,070,990	\$ 10,925,643	\$ 11,623,871	\$ (698,228)
Health and welfare:				
Health:				
Health department	\$ 562,206	\$ 562,206	\$ 552,440	\$ 9,766
Central Virginia health planning	50,000	50,000	50,000	-
Total health	\$ 612,206	\$ 612,206	\$ 602,440	\$ 9,766
Mental health and mental retardation:				
Community Services Board - District 19	\$ 181,955	\$ 181,955	\$ 181,955	\$ -
Welfare:				
Social services	\$ 10,846,905	\$ 10,902,775	\$ 8,818,081	\$ 2,084,694
Family stabilization	-	104,140	91,984	12,156
Comprehensive services	3,957,970	3,958,540	2,923,640	1,034,900
Legal aid	69,200	69,200	69,200	-
Crater District Area Agency on Aging	2,000	2,000	-	2,000
Total welfare	\$ 14,876,075	\$ 15,036,655	\$ 11,902,905	\$ 3,133,750
Total health and welfare	\$ 15,670,236	\$ 15,830,816	\$ 12,687,300	\$ 3,143,516
Education:				
Contributions to community colleges	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Contributions to Component Unit - School Board	9,945,000	10,290,000	7,931,373	2,358,627
Total education	\$ 9,948,000	\$ 10,293,000	\$ 7,934,373	\$ 2,358,627
Parks, recreation and cultural:				
Parks and recreation:				
Parks and leisure services	\$ 1,023,150	\$ 1,050,869	\$ 1,521,003	\$ (470,134)

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ 849,545	\$ 858,525	\$ 844,632	\$ 13,893
Total cultural	<u>\$ 849,545</u>	<u>\$ 858,525</u>	<u>\$ 844,632</u>	<u>\$ 13,893</u>
Total parks, recreation and cultural	<u>\$ 1,872,695</u>	<u>\$ 1,909,394</u>	<u>\$ 2,365,635</u>	<u>\$ (456,241)</u>
Community development:				
Planning and community development:				
Planning	\$ 332,900	\$ 345,180	\$ 331,007	\$ 14,173
Economic development	2,125,480	2,126,620	1,900,781	225,839
Tourist promotion program	596,680	616,358	726,902	(110,544)
Crater planning district	20,480	20,480	17,054	3,426
Contributions to other community organizations	84,086	84,086	68,975	15,111
Total planning and community development	<u>\$ 3,159,626</u>	<u>\$ 3,192,724</u>	<u>\$ 3,044,719</u>	<u>\$ 148,005</u>
Environmental management:				
Appomattox river soil & water	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Cooperative extension program:				
VPI nutritional services	\$ 40,000	\$ 40,000	\$ 25,824	\$ 14,176
Total community development	<u>\$ 3,200,626</u>	<u>\$ 3,233,724</u>	<u>\$ 3,070,543</u>	<u>\$ 163,181</u>
Nondepartmental:				
Insurance	\$ 1,122,470	\$ 1,130,934	\$ 1,247,940	\$ (117,006)
Contingencies - other	35,000	35,000	143,351	(108,351)
Contingencies - Hurricane Irene	-	500,000	576,875	(76,875)
Total nondepartmental	<u>\$ 1,157,470</u>	<u>\$ 1,665,934</u>	<u>\$ 1,968,166</u>	<u>\$ (302,232)</u>
Debt service:				
Principal retirement	\$ 3,001,092	\$ 3,001,092	\$ 3,454,279	\$ (453,187)
Interest and fiscal charges	1,059,287	1,059,287	1,104,913	(45,626)
Total debt service	<u>\$ 4,060,379</u>	<u>\$ 4,060,379</u>	<u>\$ 4,559,192</u>	<u>\$ (498,813)</u>
Total General Fund	<u><u>\$ 77,724,895</u></u>	<u><u>\$ 80,346,813</u></u>	<u><u>\$ 78,957,566</u></u>	<u><u>\$ 1,389,247</u></u>

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ 31,237	\$ 669,637	\$ 614,527	\$ 55,110
Passenger train station	32,710	196,711	180,185	16,526
Center hill drainage improvements	-	57,518	16,580	40,938
Market street drainage improvements	-	-	186,298	(186,298)
Rives road widening project	-	635,022	385,888	249,134
Traffic signal system	-	170,000	141,285	28,715
Other projects	-	75,000	81	74,919
Total public works	\$ 63,947	\$ 1,803,888	\$ 1,524,844	\$ 279,044
Health and welfare:				
Health:				
Health department - air conditioning system	\$ -	\$ 335,575	\$ 348,075	\$ (12,500)
Total health and welfare	\$ -	\$ 335,575	\$ 348,075	\$ (12,500)
Education:				
Peabody Middle building renovation	\$ -	\$ 1,421,000	\$ 200,751	\$ 1,220,249
RE Lee School	-	22,130	1,357,047	(1,334,917)
School public safety project	-	-	33,106	(33,106)
School operations center	-	100,000	43,132	56,868
School bus barn	-	-	533,648	(533,648)
Total education	\$ -	\$ 1,543,130	\$ 2,167,684	\$ (624,554)
Parks, recreation and cultural:				
Wilcox Conservancy	\$ -	\$ 8,874	\$ 579	\$ 8,295
Battersea - additions to buildings	-	50,000	-	50,000
Total parks, recreation and cultural	\$ -	\$ 58,874	\$ 579	\$ 58,295
Community development:				
Planning and community development:				
Land - downtown property	\$ -	\$ 225,000	\$ 219,076	\$ 5,924
Debt service:				
Principal retirement	\$ -	\$ -	\$ 66,256	\$ (66,256)
Interest and other debt costs	-	-	3,923	(3,923)
Total debt service	\$ -	\$ -	\$ 70,179	\$ (70,179)
Total Capital Projects Fund	\$ 63,947	\$ 3,966,467	\$ 4,330,437	\$ (363,970)

Governmental Funds
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2012 (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	\$ 9,660	\$ 9,660	\$ 7,101	\$ 2,559
Victim witness	-	195,567	182,187	13,380
Comprehensive community correction	-	280,630	241,462	39,168
Va. Juvenile community crime control	-	160,650	154,937	5,713
RCAPP - office on youth	5,506	35,506	31,509	3,997
DMV mini grant	-	61,400	14,556	46,844
POWER youth program employment	4,522	96,083	80,542	15,541
Juvenile accountability grant	14,174	14,174	14,110	64
Police technology program grant	-	1,200	417	783
Police technology enhance promotion grant	31,142	31,142	1,098	30,044
Other grants	-	87,550	87,481	69
Lead hazard grant	-	366,667	33,487	333,180
Regent grant	-	32,723	32,266	457
	<u>65,004</u>	<u>1,372,952</u>	<u>881,153</u>	<u>491,799</u>
Total public safety	\$ 65,004	\$ 1,372,952	\$ 881,153	\$ 491,799
Education:				
Summer lunch program	-	215,000	168,395	46,605
	<u>-</u>	<u>215,000</u>	<u>168,395</u>	<u>46,605</u>
Total Federal and State Projects Fund	\$ 65,004	\$ 1,587,952	\$ 1,049,548	\$ 538,404
Community Development Act Fund:				
Planning and Community Development:				
Petersburg housing authority	\$ -	\$ 50,000	\$ 50,000	\$ -
Demolition / removal blight	-	218,000	-	218,000
YMCA - child care and after school program	-	20,000	20,000	-
Other C.A.R.E.S.	-	20,000	20,000	-
Pathways lead safe Petersburg	-	50,000	-	50,000
Petersburg police athletic league	-	10,000	2,391	7,609
Salvation Army men's shelter	-	15,000	15,000	-
Hope Center improvements	-	40,000	9,905	30,095
Entryway beautification	-	75,000	-	75,000
Halifax revitalization study	-	75,000	10,732	64,268
Economic development analysis	-	25,000	4,925	20,075
	<u>-</u>	<u>598,000</u>	<u>132,953</u>	<u>465,047</u>
Total planning and community development	\$ -	\$ 598,000	\$ 132,953	\$ 465,047
Total Community Development Act Fund	\$ -	\$ 598,000	\$ 132,953	\$ 465,047
Total Special Revenue Funds	\$ 65,004	\$ 2,185,952	\$ 1,182,501	\$ 1,003,451
Total Expenditures	\$ 77,853,846	\$ 86,499,232	\$ 84,470,504	\$ 2,028,728

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 Assets by Component
2	Changes in Net Assets
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 Assets by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 6,504,438	\$ 5,664,798	\$ 14,392,808	\$ 12,924,280
Restricted	2,921,397	2,415,968	-	1,794,038
Unrestricted	7,361,752	7,586,029	12,502,877	12,353,730
Total governmental activities net assets	<u>\$ 16,787,587</u>	<u>\$ 15,666,795</u>	<u>\$ 26,895,685</u>	<u>\$ 27,072,048</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 7,315,241	\$ 7,634,991	\$ 7,926,586	\$ 21,366,680
Restricted	-	-	-	5,917,000
Unrestricted	9,563,111	8,427,264	9,238,701	(3,233,323)
Total business-type activities	<u>\$ 16,878,352</u>	<u>\$ 16,062,255</u>	<u>\$ 17,165,287</u>	<u>\$ 24,050,357</u>
Primary government				
Invested in capital assets, net of related debt	\$ 13,819,679	\$ 13,299,789	\$ 22,319,394	\$ 34,290,960
Restricted	2,921,397	2,415,968	-	7,711,038
Unrestricted	16,924,863	16,013,293	21,741,578	9,120,407
Total primary government	<u>\$ 33,665,939</u>	<u>\$ 31,729,050</u>	<u>\$ 44,060,972</u>	<u>\$ 51,122,405</u>

Table 1

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	11,349,587	\$ 16,802,876	\$ 16,440,386	\$ 17,879,326	\$ 15,534,169	\$ 14,084,613
	1,934,491	2,086,098	1,898,698	1,894,824	4,459,923	8,371,649
	12,306,724	9,695,632	16,616,660	19,403,458	19,465,464	13,043,070
\$	<u>25,590,802</u>	<u>28,584,606</u>	<u>34,955,744</u>	<u>39,177,608</u>	<u>39,459,556</u>	<u>35,499,332</u>
\$	17,746,920	\$ 25,697,774	\$ 36,423,288	\$ 37,420,508	\$ 38,529,251	\$ 41,540,929
	5,536,340	5,151,624	4,568,423	3,861,693	3,049,996	2,198,555
	(2,998,388)	(3,826,030)	(5,529,579)	(5,648,711)	(7,843,351)	(10,944,581)
\$	<u>20,284,872</u>	<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>
\$	29,096,507	\$ 42,500,650	\$ 52,863,674	\$ 55,299,834	\$ 54,063,420	\$ 55,625,542
	7,470,831	7,237,722	6,467,121	5,756,517	7,509,919	10,570,204
	9,308,336	5,869,602	11,087,081	13,754,747	11,622,113	2,098,489
\$	<u>45,875,674</u>	<u>55,607,974</u>	<u>70,417,876</u>	<u>74,811,098</u>	<u>73,195,452</u>	<u>68,294,235</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government administration	\$ 3,312,713	\$ 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
Judicial administration	1,512,938	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
Public safety	20,067,903	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
Public works	7,201,522	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
Health and welfare	12,193,038	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
Education	11,388,550	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
Parks, recreation, and cultural	2,348,383	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
Community development	1,195,916	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
Capital projects/outlays	583,115	-	-	-	-	-	-	-	-	-
Nondepartmental	694,611	-	-	-	-	-	-	-	-	-
Interest and other fiscal charges	957,561	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
Total governmental activities expenses	\$ 61,456,250	\$ 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
Business-type activities:										
Public Utility	\$ 5,150,643	\$ 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
Mass transit	1,659,250	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
Golf Course	-	-	-	-	-	622,377	1,176,452	1,182,589	1,127,133	1,151,540
Total business-type activities expenses	\$ 6,809,893	\$ 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
Total primary government expenses	\$ 68,266,143	\$ 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
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 94,849	\$ 79,492	\$ -	\$ -	\$ 191,183	\$ -	\$ 15,442	\$ -	\$ -	\$ -
Judicial administration	418,432	474,459	602,102	724,635	899,881	1,112,344	562,801	860,011	889,978	1,000,340
Public safety	107,512	243,934	133,109	188,472	768,688	967,272	799,041	461,872	496,852	619,311
Public works	2,040,663	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
Health and welfare	153,640	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	32,952	101,008	151,591	140,732	173,847	131,968	176,435	101,789	83,107	82,202
Community development	63,994	4,092	8,059	4,000	-	188,335	1,347	32,105	812	35,081
Operating grants and contributions:										
General government administration	290,824	295,711	326,271	324,298	351,357	373,318	344,481	302,633	240,278	305,189
Judicial administration	857,881	983,819	963,687	1,202,683	1,159,862	1,209,709	1,292,166	964,332	1,037,451	993,434
Public safety	6,562,760	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
Public works	3,648,619	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
Health and welfare	9,118,502	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
Education	-	-	-	-	317,452	-	-	-	-	-
Parks, recreation, and cultural	769,154	2,711,808	1,286,109	152,763	-	602,572	185,700	195,188	144,087	141,719
Community development	173,273	132,329	180,486	1,119,911	220,249	392,080	748,388	534,970	676,441	505,493
Capital grants and contributions:										
Public works	380,521	-	-	-	1,075,000	3,070,207	1,311,316	2,082,199	423,053	763,981
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	\$ 24,713,576	\$ 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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Public Utility	\$ 6,160,514	\$ 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
Mass Transit	358,404	362,353	354,620	432,432	453,045	512,960	437,138	413,822	481,211	474,125
Golf course	-	-	-	-	-	188,080	565,943	599,448	565,626	683,792
Operating grants and contributions:										
Mass Transit	1,222,493	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
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
Total business-type activities program revenues	\$ 7,741,411	\$ 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
Total primary government program revenues	\$ 32,454,987	\$ 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
Net (expense) / revenue										
Governmental activities	\$ (36,742,674)	\$ (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)
Business-type activities	931,518	64,914	(145,460)	(1,009,399)	547,011	6,688,212	8,261,893	(135,743)	(2,205,041)	(1,384,111)
Total primary government net expense	\$ (35,811,156)	\$ (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)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
General property taxes	\$ 21,640,479	\$ 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
Local sales and use taxes	3,076,650	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
Consumer utility taxes	3,585,218	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
Business license taxes	2,303,168	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
Motor Vehicle license taxes	585,974	606,624	588,524	598,616	593,977	595,329	533,365	491,904	493,869	511,083
Lodging Taxes	198,404	304,151	272,139	301,209	428,595	470,393	435,520	375,201	340,894	294,194
Meals tax	991,396	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
Other local taxes	468,793	441,837	878,847	925,888	1,147,339	839,751	561,595	664,274	627,076	571,077
Unrestricted revenues from use of money and property										
Miscellaneous	471,061	277,929	380,724	506,158	477,504	507,218	371,424	367,179	346,203	383,397
Grants and contributions not restricted to specific programs	405,749	807,191	340,657	910,762	218,764	114,854	2,224,312	348,002	515,874	472,304
Gain/(Loss) on sale of assets	2,920,155	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
Transfers (net)	-	-	-	-	212,697	(66,671)	-	-	-	-
Total governmental activities	\$ 36,704,439	\$ 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
Business-type activities:										
Unrestricted revenues from use of money and property										
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,284	\$ -	\$ 163,271	\$ 54,511	\$ -
Transfers	95,251	95,260	-	-	-	-	286,799	-	-	-
Total business-type activities	\$ (57,392)	\$ 95,260	\$ 197,058	\$ 1,516,969	\$ 644,531	\$ 50,284	\$ 176,871	\$ 307,101	\$ 307,447	\$ 499,618
Total primary government	\$ 36,742,298	\$ 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
Change in Net Assets										
Governmental activities	\$ (38,235)	\$ 339,065	\$ (706)	\$ 176,363	\$ 746,727	\$ 2,993,804	\$ 5,650,495	\$ 4,221,863	\$ 256,634	\$ (3,960,224)
Business-type activities	969,377	160,174	51,598	507,570	1,191,542	6,738,496	8,438,764	171,358	(1,897,594)	(884,493)
Total primary government	\$ 931,142	\$ 499,239	\$ 50,892	\$ 683,933	\$ 1,938,269	\$ 9,732,300	\$ 14,089,259	\$ 4,393,221	\$ (1,640,960)	\$ (4,844,717)

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
2003	\$ 21,640,479	\$ 3,076,650	\$ 3,585,218	\$ 2,303,168	\$ 196,506	\$ 198,404	\$ 991,396	\$ 858,261	\$ 32,850,082
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

CITY OF PETERSBURG, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007
General fund					
Nonspendable:					
Inventory and land held for resale	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund loans	-	-	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Grants	-	-	-	-	-
Committed:					
Land acquisition	-	-	-	-	-
Rives Road widening	-	-	-	-	-
Walnut Hill Elementary School	-	-	-	-	-
Employee bonuses	-	-	-	-	-
Petersburg Public School Operations Center	-	-	-	-	-
Health and welfare	-	-	-	-	-
Assigned:					
Data Processing	-	-	-	-	-
Police Department	-	-	-	-	-
Fire Department	-	-	-	-	-
Jail	-	-	-	-	-
Engineering	-	-	-	-	-
Street maintenance	-	-	-	-	-
Building maintenance	-	-	-	-	-
Library	-	-	-	-	-
Tourism	-	-	-	-	-
Other purposes	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved:					
Inventory	120,464	99,716	110,772	3,976,588	4,695,716
Asset forfeiture	-	-	-	-	105,999
Capital Projects	1,424,867	1,796,800	2,061,010	1,660,397	926,096
Debt Service	-	-	-	-	515,000
Landfill closure/post-closure monitoring	-	-	-	-	1,500,000
Encumbrances	744,100	681,365	1,315,060	709,027	441,550
Unreserved, undesignated	<u>7,353,015</u>	<u>7,776,015</u>	<u>8,946,673</u>	<u>9,221,441</u>	<u>10,227,794</u>
Total general fund	<u>\$ 9,642,446</u>	<u>\$ 10,353,896</u>	<u>\$ 12,433,515</u>	<u>\$ 15,567,453</u>	<u>\$ 18,412,155</u>
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	1,496,530	619,168	197,425	-	-
Special revenue funds	-	-	-	-	535,403
Permanent funds	-	-	-	-	1,828,492
Unreserved, reported in:					
Non-major:					
Special revenue funds (deficit)	435,053	211,158	381,251	309,582	(99,608)
Capital projects fund	-	-	-	80,274	(63,717)
Permanent funds	<u>1,838,185</u>	<u>1,697,438</u>	<u>1,688,016</u>	<u>1,794,038</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,769,768</u>	<u>\$ 2,527,764</u>	<u>\$ 2,266,692</u>	<u>\$ 2,183,894</u>	<u>\$ 2,200,570</u>
Total fund balances	<u>\$ 13,412,214</u>	<u>\$ 12,881,660</u>	<u>\$ 14,700,207</u>	<u>\$ 17,751,347</u>	<u>\$ 20,612,725</u>

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

	2008	2009	2010	2011	2012
\$	-	-	-	5,015,776	4,891,455
	-	-	-	8,225,957	9,148,704
	-	-	-	2,631,120	3,080,364
	-	-	-	-	172,560
	-	-	-	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
	4,652,161	4,900,400	4,990,308	-	-
	194,000	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	1,750,000	-	-	-	-
	1,470,314	517,929	-	-	-
	11,935,086	14,837,698	15,403,526	-	-
\$	<u>20,001,561</u>	<u>20,256,027</u>	<u>20,393,834</u>	<u>24,183,112</u>	<u>21,908,297</u>
\$	-	-	-	279,781	279,781
	-	-	-	1,828,803	1,773,666
	-	-	-	19,001	19,009
	-	-	-	448,435	462,609
	-	-	-	-	2,863,440
	-	-	-	638,400	-
	-	-	-	57,518	-
	-	-	-	164,000	-
	-	-	-	499,540	-
	-	-	-	2,368,980	-
	-	-	-	335,575	-
	-	-	-	22,130	-
	-	-	-	1,215,436	-
	1,804,898	2,252,155	3,989,903	-	-
	122,035	136,851	277,931	-	-
	1,892,098	1,898,698	1,894,824	-	-
	-	-	-	-	-
	(74,801)	105,620	342,777	-	-
	(5,305,826)	-	-	-	-
	-	-	-	-	-
\$	<u>(1,561,596)</u>	<u>4,393,324</u>	<u>6,505,435</u>	<u>7,877,599</u>	<u>5,398,505</u>
\$	<u>18,439,965</u>	<u>24,649,351</u>	<u>26,899,269</u>	<u>32,060,711</u>	<u>27,306,802</u>

CITY OF PETERSBURG, VIRGINIA

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

	2002	2003	2004	2005	2006
Revenues:					
General property taxes	\$ 21,560,995	\$ 21,552,330	\$ 22,900,222	\$ 23,622,768	\$ 24,706,331
Other local taxes	10,788,452	11,209,603	11,811,112	12,352,762	12,910,812
Permits, privilege fees and regulatory licenses	133,205	288,756	304,760	117,670	169,597
Fines and forfeitures	417,044	421,120	494,797	475,327	596,864
Revenue from use of money and property	276,075	471,061	277,929	380,724	506,158
Charges for services	2,717,333	2,202,166	2,254,532	2,437,257	2,441,216
Miscellaneous	773,915	405,749	807,191	900,568	910,762
Recovered costs	317,883	357,829	763,081	748,552	213,361
Intergovernmental:					
Commonwealth	18,948,117	17,956,446	18,712,177	18,955,253	21,961,358
Federal	6,124,189	6,765,243	8,242,756	7,294,590	8,367,269
Total revenues	\$ 62,057,208	\$ 61,630,303	\$ 66,568,557	\$ 67,285,471	\$ 72,783,728
Expenditures:					
General government administration	\$ 3,443,498	\$ 3,263,767	\$ 3,358,575	\$ 3,465,275	\$ 3,556,652
Judicial administration	1,478,392	1,370,657	1,624,507	1,802,404	1,722,388
Public safety	20,596,012	20,130,250	20,205,509	21,488,875	28,969,711
Public works	6,226,282	7,066,086	8,561,819	8,890,604	8,877,879
Health and welfare	10,518,785	12,046,699	12,054,331	13,073,903	13,847,937
Education	9,254,713	10,769,473	11,568,711	10,847,658	9,400,152
Parks, recreation, and cultural	2,160,986	2,233,596	2,312,585	3,004,597	3,833,719
Community development	1,117,109	1,186,386	1,032,010	2,037,795	3,309,515
Capital outlays and projects	1,279,653	747,974	1,271,968	-	-
Debt service:					
Principal retirement	2,513,015	1,594,387	1,396,946	1,443,848	1,720,556
Interest and other fiscal charges	1,411,466	994,756	1,245,890	1,246,777	1,356,881
Nondepartmental	615,951	694,611	4,298,117	677,323	1,315,624
Total expenditures	\$ 60,615,862	\$ 62,098,642	\$ 68,930,968	\$ 67,979,059	\$ 77,911,014
Excess (deficiency) of revenues over expenditures	\$ 1,441,346	\$ (468,336)	\$ (2,362,411)	\$ (693,588)	\$ (5,127,286)
Other financing sources (uses):					
Transfers in	\$ 1,448,986	\$ 402,362	\$ 692,653	\$ 658,961	\$ 1,381,953
Transfers (out)	(1,171,686)	(344,970)	(692,653)	(856,019)	(2,692,300)
Proceeds from capital leases	-	-	-	-	508,329
Sale of assets	511,233	-	-	-	-
Issuance of debt	1,999,277	432,000	1,624,057	5,750,088	6,775,277
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)	\$ 2,787,810	\$ 489,392	\$ 1,831,857	\$ 2,512,135	\$ 5,973,259
Net changes in fund balances	\$ 4,229,156	\$ 21,056	\$ (530,554)	\$ 1,818,547	\$ 845,973
Debt service as a percentage of noncapital expenditures	6.61%	4.22%	3.91%	4.06%	3.99%

Table 5

	2007	2008	2009	2010	2011	2012
\$	26,546,575	\$ 28,104,541	\$ 32,299,130	\$ 34,703,935	\$ 34,039,946	\$ 33,388,519
	13,700,105	13,797,559	13,484,673	12,445,767	12,602,485	11,281,505
	547,715	656,809	660,299	483,718	426,106	559,870
	756,124	1,071,755	468,464	684,907	673,606	786,925
	477,504	507,218	371,424	367,179	346,203	383,397
	2,802,449	2,787,954	2,494,305	2,166,093	1,980,201	1,971,784
	2,308,411	2,474,098	6,654,314	3,838,002	3,928,274	472,304
	124,005	466,502	378,789	315,212	638,918	35,966
	21,677,880	24,218,725	22,958,947	23,278,884	21,417,443	23,474,260
	7,593,655	7,099,686	7,727,510	7,180,048	6,567,302	6,166,684
\$	<u>76,534,423</u>	<u>\$ 81,184,847</u>	<u>\$ 87,497,855</u>	<u>\$ 85,463,745</u>	<u>\$ 82,620,484</u>	<u>\$ 78,521,214</u>
\$	3,678,061	\$ 4,116,450	\$ 4,360,569	\$ 3,826,456	\$ 4,098,854	\$ 4,623,610
	1,895,420	2,139,494	2,184,145	1,973,393	1,967,127	1,942,608
	25,312,175	26,459,229	26,566,138	27,441,826	28,443,133	29,063,421
	11,173,225	17,240,364	14,156,676	11,689,667	10,264,734	13,148,715
	14,296,165	16,225,483	15,499,383	14,668,974	14,086,084	13,035,375
	8,838,660	14,302,941	13,502,674	10,474,051	13,016,373	10,270,452
	5,549,782	4,153,537	2,659,418	2,431,519	2,470,427	2,366,214
	2,861,651	2,840,006	2,192,083	3,574,257	3,497,736	3,422,572
	-	-	-	-	-	-
	2,590,060	2,960,058	6,248,664	6,270,000	5,998,607	3,520,535
	1,448,255	1,449,801	1,497,372	2,400,439	1,337,602	1,108,836
	707,417	803,240	959,214	1,149,019	1,247,187	1,968,166
\$	<u>78,350,871</u>	<u>\$ 92,690,603</u>	<u>\$ 89,826,336</u>	<u>\$ 85,899,601</u>	<u>\$ 86,427,864</u>	<u>\$ 84,470,504</u>
\$	<u>(1,816,448)</u>	<u>\$ (11,505,756)</u>	<u>\$ (2,328,481)</u>	<u>\$ (435,856)</u>	<u>\$ (3,807,380)</u>	<u>\$ (5,949,290)</u>
\$	1,082,083	\$ 1,014,136	\$ 1,357,056	\$ 178,538	\$ 451,234	\$ 493,471
	(1,726,614)	(1,014,136)	(1,247,128)	(322,368)	(704,170)	(993,090)
	205,500	232,996	782,997	62,106	379,650	165,000
	-	-	-	350,000	-	-
	5,116,857	9,100,000	7,360,000	8,560,000	396,000	1,530,000
	-	-	284,941	3,035	-	-
	-	-	-	-	2,686,689	-
	-	-	-	-	(2,596,254)	-
	-	-	-	-	-	-
\$	<u>4,677,826</u>	<u>\$ 9,332,996</u>	<u>\$ 8,537,866</u>	<u>\$ 8,831,311</u>	<u>\$ 613,149</u>	<u>\$ 1,195,381</u>
\$	<u>2,861,378</u>	<u>\$ (2,172,760)</u>	<u>\$ 6,209,385</u>	<u>\$ 8,395,455</u>	<u>\$ (3,194,231)</u>	<u>\$ (4,753,909)</u>
	5.64%	4.79%	9.41%	10.44%	9.11%	5.81%

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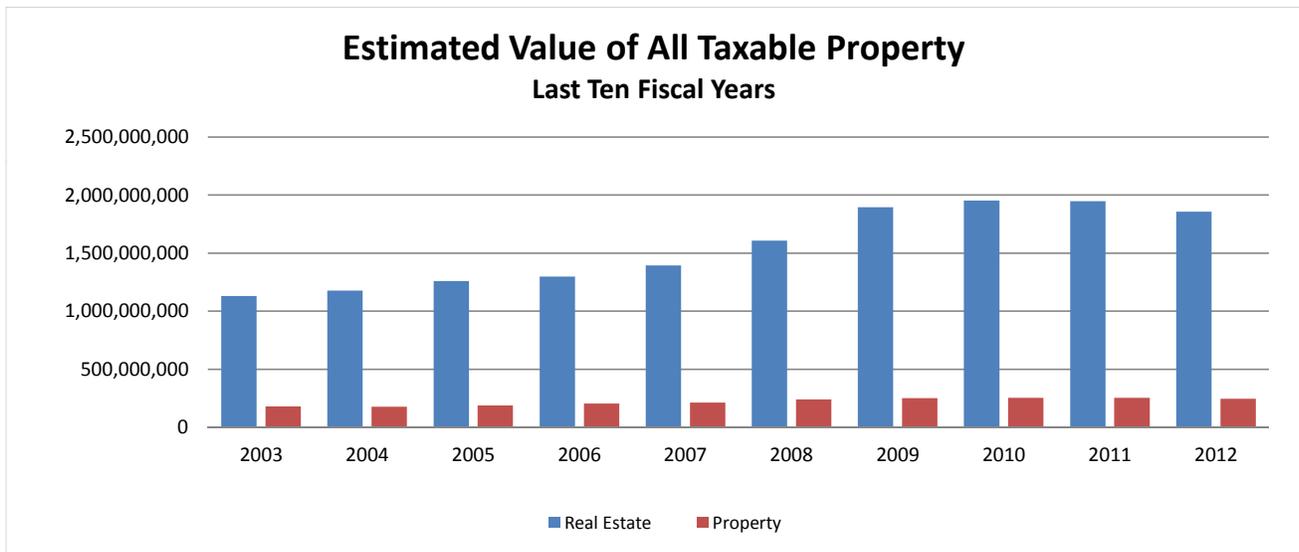
Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

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
2003	\$ 21,552,330	\$ 3,076,650	\$ 3,130,198	\$ 2,303,168	\$ 196,506	\$ 198,404	\$ 991,396	\$ 858,261	\$ 32,306,913
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

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)
2003	\$ 1,131,077,726	\$ 179,730,086	\$ 1,310,807,812	1.77
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

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
2003	\$ 1.41	\$ 4.30	\$ 3.80	\$ 1.41
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

Source - Commissioner of the Revenue

CITY OF PETERSBURG, VIRGINIA

Principal Business Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2012			Rank	Percentage of Total Assessed Valuation
	Real Property Valuation	Personal Property Valuation	Total Valuation		
Petersburg Hospital LLC	\$ 98,710,100	\$ 10,847,242	\$ 109,557,342	1	5.21%
B. I. Chemicals	28,564,600	65,649,128	94,213,728	2	4.48%
Virginia Power	6,713,495	54,254,733	60,968,228	3	2.90%
Brenco Properties	16,641,100	10,748,333	27,389,433	4	1.30%
Harrison Creek	17,885,500	-	17,885,500	5	0.85%
Addison at Crater Woods	15,730,500	-	15,730,500	6	0.75%
Verizon Virginia Inc.	1,904,927	13,605,402	15,510,329	7	0.74%
Georgetown Square Associates	14,233,000	-	14,233,000	8	0.68%
Columbia Gas of Virginia, Inc.	639,804	12,409,065	13,048,869	9	0.62%
109 Perry St. LLC	11,942,900	-	11,942,900	10	0.57%
Wal-Mart	-	-	-		-
Titmus Optical Company	-	-	-		-
Inland Paperboard & Packing Company	-	-	-		-
Crater Square Associates	-	-	-		-
Total	<u>\$ 212,965,926</u>	<u>\$ 167,513,903</u>	<u>\$ 380,479,829</u>		<u>18.08%</u>

Source: Commissioner of the Revenue

Table 9

2003				
Real Property Valuation	Personal Property Valuation	Total Valuation	Rank	Percentage of Total Assessed Valuation
\$ -	\$ -	\$ -		-
22,192,600	31,954,526	54,147,126	1	4.13%
35,960,791	2,302,525	38,263,316	2	2.92%
15,221,700	18,296,756	33,518,456	3	2.56%
-	-	-		-
-	-	-		-
27,630,808	-	27,630,808	4	2.11%
12,806,300	17,544	12,823,844	5	0.98%
11,768,451	2,216	11,770,667	6	0.90%
-	-	-		-
8,957,000	740,634	9,697,634	7	0.74%
5,803,100	2,416,178	8,219,278	8	0.63%
4,989,600	2,698,179	7,687,779	9	0.59%
7,001,000	-	7,001,000	10	0.53%
<u>\$ 152,331,350</u>	<u>\$ 58,428,558</u>	<u>\$ 210,759,908</u>		<u>16.08%</u>

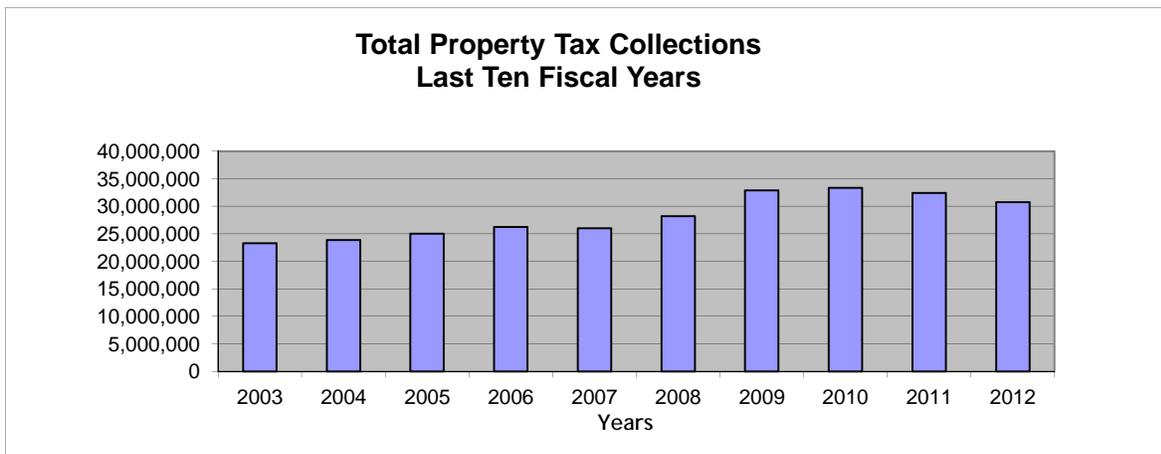
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Property Tax Levies and Collections
Last Ten Fiscal Years

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		
2003	\$ 23,264,637	\$ 21,789,524	93.66%	\$ 1,473,234	78421.93%	\$ 23,262,758	99.99%	\$ 1,879	0.01%
2004	23,882,224	23,153,198	96.95%	716,215	5590.43%	23,869,413	99.95%	12,811	0.05%
2005	25,050,533	23,334,254	93.15%	1,709,417	24912.12%	25,043,671	99.97%	6,862	0.03%
2006	26,220,677	24,386,327	93.00%	1,825,048	19619.55%	26,211,375	99.96%	9,302	0.04%
2007	26,039,276	23,249,391	89.29%	2,762,171	9966.61%	26,011,562	99.89%	27,714	0.11%
2008	28,468,895	26,388,079	92.69%	1,811,556	672.79%	28,199,635	99.05%	269,260	0.95%
2009	33,415,398	31,253,720	93.53%	1,655,387	326.96%	32,909,107	98.48%	506,291	1.52%
2010	34,297,170	32,267,620	94.08%	1,070,733	111.67%	33,338,353	97.20%	958,817	2.80%
2011	34,058,168	31,830,367	93.46%	616,994	38.30%	32,447,361	95.27%	1,610,807	4.73%
2012	32,693,624	30,092,517	92.04%	627,050	13.97%	30,719,567	93.96%	4,489,875	13.73%

(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
2003	\$ 15,272,793	\$ 7,700,000	\$ 231,093	\$ -	2,000,000
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

(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
\$ 6,652,255	\$ -	\$ 65,144	\$ 31,921,285	33,740	1.53%	\$ 946
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

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
2003	33,740	\$ 1,310,807,812	\$ 22,780,293	\$ 6,652,255	\$ 29,432,548	2.25%	\$ 872
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

(1) United States Census

(2) From Table 7

Computation of Direct and Overlapping Bonded Debt and Legal Debt Margin
 Fiscal Year Ended June 30, 2012

	<u>Net Bonded Debt</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
City of Petersburg (1)	\$ 33,126,001	100%	\$ 33,126,001
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>-</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:							
2003	\$ 6,255,765	\$ 4,718,896	\$ 1,536,869	\$ 588,548	\$ 361,020	\$ 949,568	1.62
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
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

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

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

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

Demographic Statistics

Fiscal Year	Registered Voters	School Enrollment	Unemployment Rate	Population (1)
2003	17,667	5,200	8.00%	32,908
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

Census Statistics

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

(1) Weldon Cooper Center for Public Service.

Major Private Employers
For the Fiscal Year Ending June 30, 2012

Company	Description of Business	Approximate Employment	
		Current	Percentage of Total City Employment
Southside Regional Medical Center	Hospital medical services	1000+	6.38%
Amsted Rail Company, Inc.	Roller bearings	500-600	3.51%
B. I. Chemicals	Pharmaceuticals	300-400	2.23%
Horizon Mehtal Health Management, Inc.	Medical services	200-300	1.60%
Wal-Mart	Retail sales	300-400	2.23%
District 19 Mental Health and Retardation Services	Medical services	100-200	0.96%
Beverly Home Care	Medical services	100-200	0.96%
Rehabilitation Hospital, Inc.	Medical services	100-200	0.96%
Poplar Springs Hospital	Medical services		
Quality Plus Services	Engineering / Construction	100-200	0.96%
Virginia Linen	Linen processing	100-200	0.96%

Source: Individual City departments

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

People who live and work in the area	5,197
In-commuters	10,474
Total City employment	<u>15,671</u>

Data for the previous ninth year is unavailable at publication.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City:										
Salaried	696	696	696	681	686	695	704	772	789	770
Part-time temporary	254	239	239	226	234	252	299	299	332	320
Public safety										
Police protection	163	143	147	147	147	130	145	160	160	160
Fire protection	92	86	95	94	94	96	95	97	97	100
Jail facilities	86	86	86	87	88	91	89	88	88	94
School Board										
Administrative personnel	40	41	42	42	54	38	38	37.5	33.5	37
Instructional personnel	441	434.5	436	432	429	465	447	557	529.5	617
All other personnel	367	383.5	378.5	415	403	291	287	173.5	167.5	183
Totals *	<u>1,798</u>	<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>

Source: Individual City departments 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

	2003	2004	2005	2006	2007
Police protection:					
Law violations	10,976	9,767	22,223	20,398	19,190
Traffic violations	10,327	8,854	6,729	8,207	11,961
Arrests reported:					
Adults	4,063	4,712	4,551	4,227	4,428
Juveniles	220	379	377	370	315
Calls for service	69,327	64,357	59,289	61,265	55,193
Jail facility inmates:					
Jail	198	203	193	182	210
Jail annex	75	70	62	61	28
Riverside Regional	89	89	89	89	148
Community Development:					
Building permits:					
Number issued	879	1,371	904	1,245	1,336
Valuation	\$ 10,197,966	\$ 16,826,102	\$ 26,849,246	\$ 44,724,170	\$ 116,953,757
Public Utilities:					
Number of active consumers	11,482	11,374	11,395	11,399	10,365
Water purchased (annually)-gallons	1.7 billion				

n/a = not available at publication

Source: Individual City departments

Table 18

2008	2009	2010	2011	2012
9,666	n/a	n/a	n/a	n/a
8,866	n/a	n/a	11,011	11,194
3,433	n/a	n/a	2,679	3,727
232	n/a	n/a	105	111
53,023	n/a	n/a	70,564	70,892
213	202	202	184	140
21	48	227	30	25
61	128	124	132	115
1,444	1,249	1,021	925	1,084
\$ 88,818,121	\$ 42,719,115	\$ 38,289,390	\$ 60,225,074	\$ 30,400,872
11,028	10,467	11,247	11,165	11,165
1.64 billion	1.654 billion	1.750 billion	1.900 billion	1.800 billion

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	57	58
Lights	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,450
Heads	467	467	467	467	467	467	467	467	467	464
Curbs	39	39	39	39	39	39	39	39	39	39
School signals (flashing lights)	11	11	11	11	11	11	11	11	11	18
Other signals (flashing lights)	4	4	4	4	4	4	4	4	4	7
Caution flashing lights	17	17	17	17	17	17	17	17	17	14
Pedestrian signals	54	54	54	54	54	54	54	54	54	112
Sewers:										
Storm - miles	19	19	19	19	19	19	19	19	19	19
Sanitary - miles	191	191	191	191	191	191	191	191	191	211
Public Utilities:										
Water mains - miles	254	254	254	254	254	254	254	254	254	275
Number of hydrants	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	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
Swimming pools	2	2	2	2	2	2	2	2	2	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
Middle school grades 6-7	2	2	2	2	2	2	2	1	1	1
Elementary schools K-5	7	7	7	7	7	7	7	4	4	4
Early childhood center	-	-	-	-	-	-	-	1	1	1

Source: Individual City departments

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, 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, 2012, which collectively comprise the City of Petersburg, Virginia's basic financial statements and have issued our report thereon dated December 11, 2012. 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.

Internal Control Over Financial Reporting

Management of the City of Petersburg, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Petersburg, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Petersburg, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the City of Petersburg, Virginia in a separate letter dated December 11, 2012.

This report is intended solely for the information and use of management, the City Council, others with the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 11, 2012

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited City of Petersburg, Virginia's compliance with the types of compliance requirements described in the (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City of Petersburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Petersburg, Virginia's management. Our responsibility is to express an opinion on the City of Petersburg, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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. Our audit does not provide a legal determination of City of Petersburg, Virginia's compliance with those requirements.

In our opinion, the City of Petersburg, Virginia complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the City of Petersburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Petersburg, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control Over Compliance: (Continued)

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.

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 deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 11, 2012

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2012

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	\$ 126,872
<u>Pass through payments:</u>			
Department of Social Services:			
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	0010110	<u>756,280</u>
Total Department of Agriculture			<u>\$ 883,152</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	N/A	\$ 1,446,837
AARA - Federal Transit - Capital Investment Grants	20.500	N/A	222,818
<u>Pass through payments:</u>			
Division of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	N/A	<u>27,320</u>
Total Department of Transportation			<u>\$ 1,696,975</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass through payments:</u>			
Department of Housing and Community Development:			
CDBG - State-Administered CDBG Cluster:			
Community Development Block Grants / States Program	14.228	53505-49380	\$ 505,493
Lead Hazard Reduction Demonstration Grant Program	14.905	N/A	<u>33,682</u>
Total Department of Housing and Urban Development			<u>\$ 539,175</u>
<u>US ELECTION ASSISTANCE COMMISSION:</u>			
<u>Direct payments:</u>			
Help America Vote Act Requirements Payments	90.401	N/A	<u>\$ 5,200</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	\$ 31,952
Temporary Assistance for Needy Families	93.558	0400111	945,961
Refugee and Entrant Assistance-State Administered Programs	93.566	0500111	1,230
Low-Income Home Energy Assistance	93.568	0600411	76,576

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2012 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT: (Continued)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES: (Continued)			
<u>Pass through payments: (Continued)</u>			
Department of Social Services: (Continued)			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	0770110	\$ 222,054
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	368,270
Chafee Education and Training Vouchers Program	93.599	9160110	1,436
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110	2,656
Foster Care-Title IV-E	93.658	1100111	528,120
Adoption Assistance	93.659	1120111	474,759
Social Services Block Grant	93.667	1000111	567,140
Chafee Foster Care Independence Program	93.674	9150110	12,811
Children's Health Insurance Program	93.767	0540111	20,525
Medical Assistance Program	93.778	1200111	453,754
Total Department of Health and Human Services			\$ 3,707,244
DEPARTMENT OF JUSTICE:			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Asset forfeiture	16.000	N/A	76,457
Crime Victim Assistance	16.575	39001-46000	136,713
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	N/A	32,723
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	5,972
Public Safety Partnership and Community Policing Grants	16.710	2009RFWX0849; 2009-DH-BX-0729; 2008-CJ-WX-0575	414,837
Total Department of Justice			\$ 666,702
DEPARTMENT OF DEFENSE:			
<u>Pass through payments:</u>			
Crater Regional Workforce Investment Group:			
Governor's Employment and Training Department: Workforce Investment Act - Youth Activities	17.259	N/A	\$ 87,202
DEPARTMENT OF HOMELAND SECURITY:			
<u>Pass through payments:</u>			
Department of Emergency Management:			
Hazard Mitigation Grant	97.039	N/A	\$ 187,039
Emergency Management Performance Grants	97.042	N/A	44,650
State Homeland Security Program	97.073	77501-52708	19,000
Total Department of Homeland Security			\$ 250,689
Total Primary Government			\$ 7,836,339

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2012 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution	10.555	N/A	\$ 69,663
Department of Education:			
National School Lunch Program	10.555	17901-40623	1,284,028 \$ 1,353,691
National School Breakfast Program	10.553	17901-40591	391,383
Total Child Nutrition Cluster			\$ 1,745,074
Fresh Fruit and Vegetable Program	10.582	17901-40599	120,098
Total Department of Agriculture			\$ 1,865,172
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 65,575
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
County of Richmond, Virginia:			
Head Start	93.600	N/A	\$ 898,830
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass through payments:</u>			
Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 2,491,023
ARRA Title I Grants to Local Educational Agencies	84.389	17901-42913	316,261
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	17901-43071	1,173,384
ARRA Special Education Grants to States	84.391	17901-61245	19,701
ARRA Special Education Preschool grants	84.392	N/A	37,832
Special Education - Preschool Grants	84.173	17901-62521	27,214
Vocational Education:			
Career and Technical Education - Basic grants to states	84.048	17901-61095	203,025
Education for Homeless Children and Youth	84.196	N/A	18,939
Safe and Drug-Free Schools and Communities-State Grants	84.186	17901-60511	23,828
Twenty-first Century Community Learning Centers	84.287	17901-60565	355,487
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	17901-61600	12,708
ARRA Education Technology State Grants	84.386	17901-60897	310
School Improvement Grants Cluster:			
School Improvement Grants	84.377	17901-43040	1,000,542
AARA School Improvement Grants	84.388	N/A	860,991
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)			
Improving Literacy Through School Libraries	84.334	N/A	29,047
Improving Literacy Through School Libraries	84.364	N/A	91,874
English Language Acquisition State Grants	84.365	17901-60512	16,071
Improving Teacher Quality State Grants	84.367	17901-61480	408,437
ARRA Education Jobs Fund	84.410	17901-62700	1,036,264
ARRA State Fiscal Stabilization Funds - Education State grants	84.394	17901-62532	63,414
Total Department of Education			\$ 8,186,352
Total Component Unit School Board			\$ 11,015,929
Total Expenditures of Federal Awards			\$ 18,852,268

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, 2012

Note 1 - General

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, 2011 . 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 assets, 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 - Relationship to Financial Statements

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

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	\$ 5,123,615
Non-major governmental funds	1,043,069
Mass Transit	1,669,655
School Board	<u>11,015,929</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 18,852,268</u>
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CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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 auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555 / 10.559	Child Nutrition Cluster
84.010 / 84.389	Title I Part A Cluster
84.027 / 84.173 / 84.391 / 84.392	Special Education Cluster (IDEA)
84.377 / 84.388	School Improvement Grant Cluster
84.410	Education Jobs Fund
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$565,568
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.

Section IV - Status of Prior Audit Findings and Questioned Costs

2011-1 Funding Source - Department of Education

Special Education Cluster

CFDA Numbers: 84.027, 84.173, 84.391, 84.392

Federal Award Year: 2009, 2010, 2009 ARRA, 2009 (Preschool), 2010 (Preschool), 2009 (Preschool ARRA)

Federal Grant Award: H027A090107, H027A100107, H391A090107, H173A090112, H173A100112, H392A090112

Criteria: For any fiscal year for which the federal allocation received by a LEA exceeds the amount received for the previous fiscal year, the LEA may reduce the level of local or State and local expenditures by not more than 50 percent of the excess (20 USC 1413(a)(2)(C)(i)). If an LEA exercises this authority, it must use an amount of local funds equal to the reduction in expenditures under Section 1413(a)(2)(C)(i) to carry out activities authorized under the Elementary and Secondary Education Act (ESEA) of 1965. The amount of funds expended by the LEA for early intervening services counts toward the maximum amount of State and local expenditures that the LEA may reduce. However, if an SEA determines that an LEA is unable to establish and maintain programs of FAPE that meet the requirements of Section 1413(a) or the SEA has taken action against the LEA under Section 1416, the SEA shall prohibit the LEA from reducing its local or State and local expenditures for that fiscal year (20 USC

Condition: The School board did not meet their required local effort during fiscal year 2011.

Questioned Costs: It is estimated that the School Board failed to meet their required local effort by approximately \$732,103. This estimate is subject to change based on a review by the Virginia Department of Education.

Cause: The School Board received additional federal funds of \$484,607 during the year ended June 30, 2011 as compared to the prior year. Expenditures for the program did not increase by a corresponding amount; therefore, the federally funded portion of program expenses increased while the state and local funded portion of program expenditures decreased. In essence, federal funds were used to pay expenses that had been supported with State and local funds in prior periods. The underlying cause of this problem was a significant allocation of Federal stimulus money to the program that represents a one-time increase in funding.

Effect: The School Board did not meet requirements governing the state and local maintenance of effort for the fiscal year. The School Board may be required to repay federal funds.

Recommendation: We recommended the School Board to work the Virginia Department of Education to determine a resolution to the finding.

Response: The School Board has resolved this finding by issuing a check to the Virginia Department of Education on August 2, 2012 in the amount of \$119,638 thus resolving this finding.