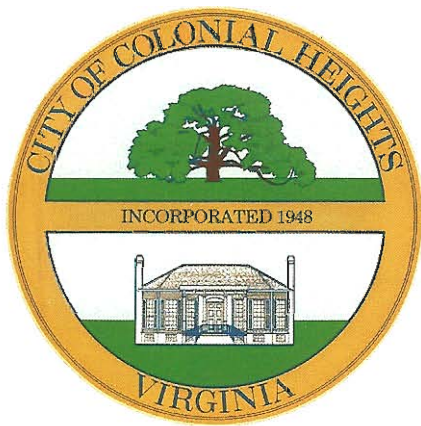


CITY OF COLONIAL HEIGHTS VIRGINIA

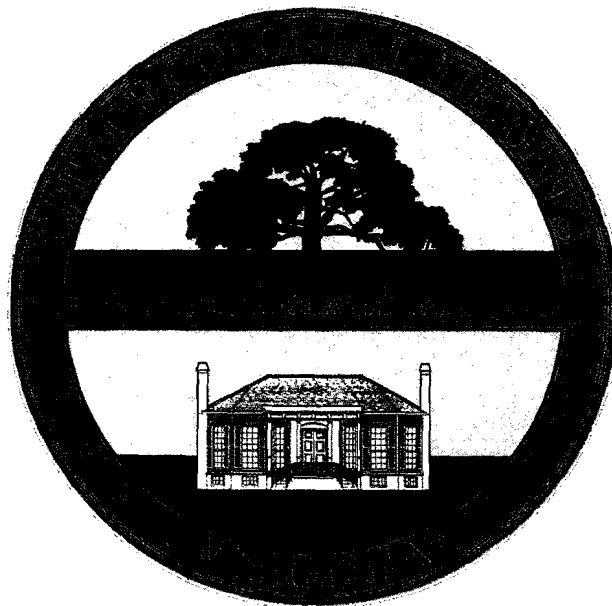


COMPREHENSIVE ANNUAL FINANCIAL REPORT ENDING JUNE 30, 2008

CITY OF COLONIAL HEIGHTS, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2007 THROUGH JUNE 30, 2008



Prepared by the Department of Financial Administration

Richard A. Anzolut Jr.
City Manager

William E. Johnson
Director of Finance

CITY OF COLONIAL HEIGHTS, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION		
Letter of Transmittal		1 – 5
Certificate of Achievement for Excellence in Financial Reporting		6
Organizational Chart		7
Directory of Officials		8

FINANCIAL SECTION		
Independent Auditors' Report		9 – 10
Management's Discussion and Analysis		11 – 21
<i>Basic Financial Statements</i>		
Exhibit A	Statement of net assets	22
Exhibit B	Statement of activities	23
Exhibit C	Balance sheet – governmental funds	24 – 25
Exhibit D	Statement of revenues, expenditures and changes in fund balances – governmental funds	26 – 27
Exhibit E	Statement of net assets – proprietary funds	28
Exhibit F	Statement of revenues, expenses and changes in net assets – proprietary funds	29
Exhibit G	Statement of cash flows – proprietary funds	30 – 31
	Notes to financial statements	32 – 54
<i>Required Supplementary Information</i>		
	Schedule of funding progress	55
Exhibit H	General fund – schedule of revenues, expenditures, and changes in fund balance – budget and actual	56 – 61

Supplemental Schedules

Exhibit I	Schedule of revenues, resources, expenditures, contract commitments, and unobligated balance	62 – 63
Exhibit J	Schedule of bonds, leases and other long-term liabilities	64 – 65
Exhibit K	Discretely presented component unit – School Board combining balance sheet – governmental funds	66
Exhibit L	Discretely presented component unit – School Board combining schedule of revenues, expenditures, and changes in fund balances – governmental funds	67
Exhibit M	Discretely presented component unit – School Board schedule of revenues, expenditures, and changes in fund balance – budget and actual – School Operating Fund	68
Exhibit N	Statement of assets and liabilities – School Board	69
Exhibit O	Statement of changes in assets and liabilities – School Board Agency Fund	70

STATISTICAL SECTION

Table 1	Net assets by component	71
Table 2	Changes in net assets	72 – 74
Table 3	Fund balances, governmental funds	75
Table 4	Changes in fund balances, governmental funds	76 – 77
Table 5	Assessed value and actual value of taxable property	78
Table 6	Direct tax rates	79
Table 7	Principal property taxpayers	80
Table 8	Property tax levies and collections	81
Table 9	Taxable sales by category – last ten calendar years	82
Table 10	Taxable sales by category	83
Table 11	Ratio of outstanding debt by type and general bonded debt outstanding	84
Table 12	Legal debt margin	85
Table 13	Demographic and economic statistics	86
Table 14	Principal employers	87
Table 15	Full-time employees	88 – 89
Table 16	Operating indicators by function/program	90

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	91 – 92
Notes to Schedule of Expenditures of Federal Awards	93 – 94
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	95 – 96
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	97 – 98
Schedule of Findings and Questioned Costs	99 – 101
Corrective Action Plan	102 – 103
Summary Schedule of Prior Audit Findings	104

INTRODUCTORY SECTION



CITY OF COLONIAL HEIGHTS

P.O. Box 3401
COLONIAL HEIGHTS, VA 23834-9001
www.colonial-heights.com

December 18, 2008

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

The Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ended June 30, 2008, is transmitted herewith. This report was prepared by the Department of Financial Administration, which assumes full responsibility for the accuracy of data, completeness and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner designed to fairly set forth the financial position and results as measured by the financial activity of its various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

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

Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from the primary government. The School Board of the City of Colonial Heights is reported as a discretely presented component unit.

Additional information on the City's financial status can be found in the Management's Discussion and Analysis section of this report.

Economic Condition and Outlook

The City, with a land area of 8.14 square miles, is located in southeastern Virginia. The City is strategically located on Interstate 95 near its intersection with interstates, 185 and 164, thus giving the City access to the East Coast's major markets.

The City is less than 20 miles south of Virginia's state capital, Richmond, and 120 miles south of the nation's capital, Washington, D.C. The City of Petersburg lies just across the Appomattox River which bisects the two cities, with Colonial Heights on the north bank. Richmond's deepwater terminal is approximately 15 miles north and the ports at Hampton Roads are some 80 miles to the southeast.

The population of the City is estimated at 17,796 as projected by the Virginia Employment Commission. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and as such has immediate access to the area's dynamic business complex. Richmond is a center for manufacturing, distribution and trade. State and Federal offices are located in Richmond and the area houses numerous corporate headquarters.

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

The City has a civilian labor force of 9,608 and a current unemployment rate of 4.8%. The surrounding labor pool consists of tens of thousands of workers representing the entire spectrum of occupational groups and training opportunities in the area are abundant.

The City's goal is to promote development and expansion of a diversified business base to enhance the quality and standard of living through expanded job opportunities and tax base.

The City has seen 2.4 million square feet of retail, office and service industry development in the City's regionally based commercial center area known as "Southpark". Beginning with the opening of the area's only regional mall in 1989, the area has become a Mecca for giant retailers, specialty retailers and office space. The City currently has seen an additional hotel and a restaurant completed with a second hotel nearing completion. The area continues to expand with the planned expansions of existing big box stores. Transportation access and diversity have been two key elements of the area's sustained success. The City's older retail areas along the US1/301 corridor continue to benefit from the increased exposure of the City's regional emphasis.

The City's Capital Improvement Program is centered around infrastructure improvements to update or expand the current services. Other major projects include the renovation and expansion of the current courts building, and the replacement and improvement of infrastructure.

The closure of the former landfill has been completed and approved by the Virginia Department of Waste Management. This has opened up additional land for development in the Southpark commercial center.

The City has endured the past economic challenges by maintaining a good local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. This year's financial operations continued all of current services and expanded the replacement of Capital items. The real estate rate was lower to partially counter the increase in biannual real estate assessments. The City continues to adhere to a conservative budget in order to keep existing programs funded and salaries of public employees competitive while dealing with budgetary challenges.

Accounting System and Budgetary Controls

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

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

Budgetary control is maintained at the department line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line item balances are not released until funds are appropriated or transferred to the specific line item. Open encumbrances are recorded as reservation of fund balances at June 30, 2008.

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

City of Colonial Heights Pension Plan

The City contributes to the Virginia Retirement System, an agent and cost-sharing multiple-employer defined benefit pension plan, which covers all City employees.

Capital Financing and Debt Service

It is City policy to balance the needs for public facilities with the financial capability to provide for these needs.

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

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur debt in the amount of \$168,097,949, but has currently utilized 16.24% of its debt capacity.

Long-term liabilities, excluding notes payable, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2008, totaled \$27,295,000, of which \$2,297,315 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City's bonds were maintained by all three rating agencies. These ratings are:

Moody's Investor Service	Standard & Poor's	Fitch Investors Service, Inc.
A1	AA-	AA-

The City annually develops a Capital Improvements Program. Submitted projects are evaluated on a rating system using eleven criteria for funding recommendation. This annual rating by administrative staff is evaluated and approved by the City's Planning Commission and submitted to the governing body for future funding consideration. This list is used to allocate future bond and pay-as-you funding by the City.

Cash Management

The City follows the pooled cash concept, which maximizes investment flexibility, providing the best possible investment return. Cash temporarily idle during the year is invested in instruments as allowed by the *Code of Virginia*, Chapter 3, Title 26, and in accordance with the City's investment policy. The objectives of this policy are to assure safety and repayment of principal, provide flexibility to meet cash requirements, accomplish the maximum investment of all available funds and allow the City to obtain the highest competitive yield on investments.

Risk Management

The City established an Insurance and Risk Management department in 1987. This department has expanded its original scope from the reduction of risk through adequate insurance to include the ongoing training of personnel and the reduction of hazards in the workplace.

Certificates of Achievement for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 28 consecutive years (fiscal years ended 1980 through 2007). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

Acknowledgments

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

Respectfully submitted,



Richard A. Anzolut, Jr.
City Manager



William E. Johnson
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Colonial Heights
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



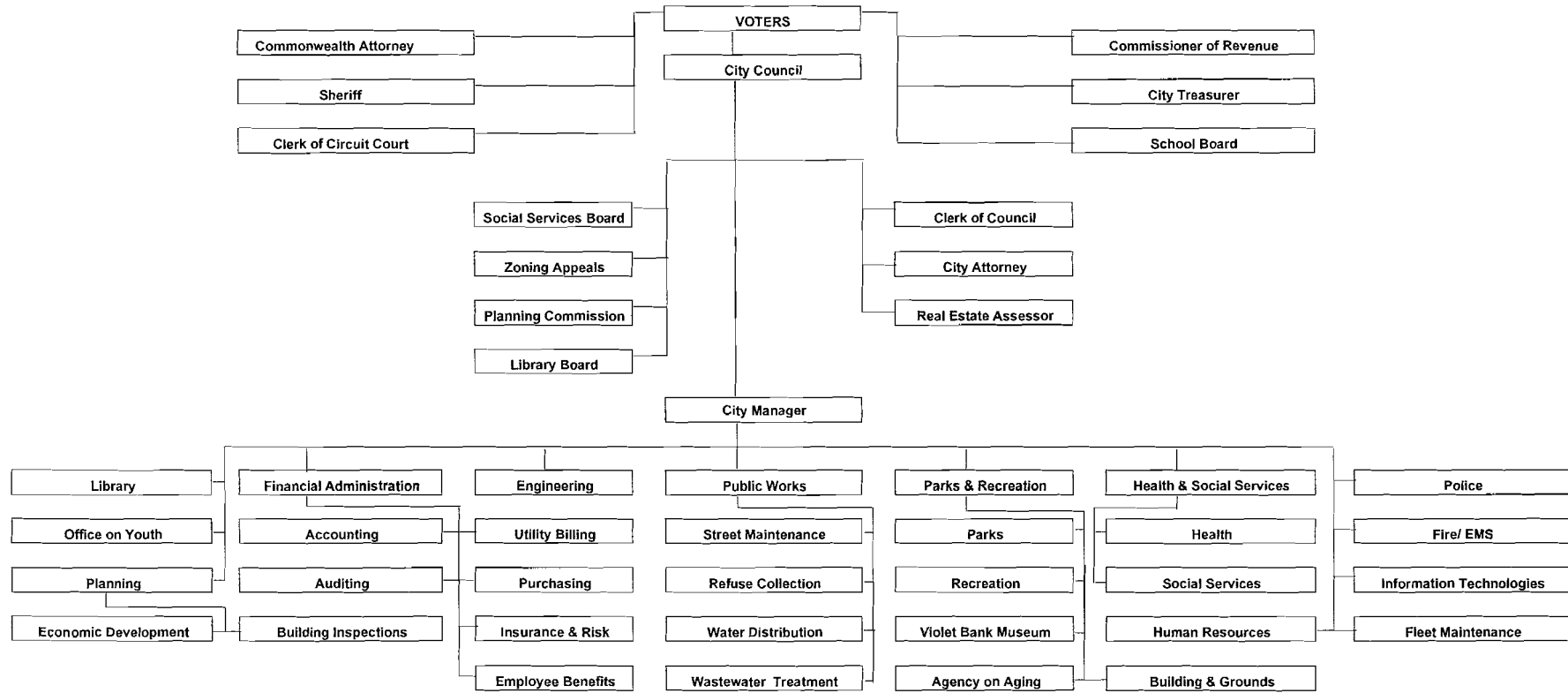
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART



CITY OF COLONIAL HEIGHTS, VIRGINIA

Directory of Principal Officials
June 30, 2008

City Council

John T. Wood
Mayor

David A. Salot
Vice Mayor

Patricia L. Cox

C. Scott Davis

Milton E. Freeland, Jr.

T. Gregory Kochuba

Betsy G. Luck

Other Officials

Richard A. Anzolut, Jr.

City Manager

Hugh P. Fisher, III

City Attorney

Kimberly P. Rollinson

City Clerk

William E. Johnson

Director of Finance

Jeffrey W. Faries

Chief of Police

William E. Henley

Director of Public Works

Sean E. Gleason

Director of Recreation and Parks

Bruce N. Hansen

Library Director

Dr. Joseph O. Cox

Superintendent of Schools

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of City Council
City of Colonial Heights, 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 remaining fund information of the City of Colonial Heights, Virginia (City), as of and for the year ended June 30, 2008, 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'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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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 15, 2008 on our consideration of the City's internal control over financial reporting and 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.

The Management's Discussion and Analysis (pages 11 to 21) and the required supplementary information (pages 55 to 61) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules, as listed in the Table of Contents, is presented for purposes of additional analysis and is 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 the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such 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.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
December 15, 2008

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

The following discussion and analysis of the City of Colonial Heights, Virginia (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's total net assets, excluding those of its component unit, on the government-wide basis, totaled \$38,434,361 at June 30, 2008. Of this amount, \$6,648,101 may be used to meet ongoing obligations to citizens and creditors, and \$31,786,260 is invested in capital assets, net of related debt.

On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$40,468,903, which totaled \$3,441,809 greater than the general revenues of \$37,027,094.

At June 30, 2008, the City's governmental funds balance sheet reported fund balances of \$15,647,765. Of this amount, \$15,592,986 remains in the various governmental funds of the City as unreserved.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. However, the focus is now on the City's most significant funds as well as fund types. The fund financial statements begin on page 24 and provide detailed information about the most significant funds, not the City as a whole. The City has two types of funds:

Governmental funds – Most of the City's basic services are included with the governmental funds. Fund-based statements focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits C and D on pages 25 and 27.

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

The City's enterprise funds, one type of proprietary fund, is the same as the government-wide, business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The City's enterprise funds are the Water, Sewer, and Solid Waste funds.

The following table presents a condensed comparison of net assets:

Summary Statement of Net Assets
June 30, 2008 and 2007
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2008	2007	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$28.8	\$22.6	\$1.1	\$1.0	\$29.9	\$23.6	\$8.3	\$5.9
Capital Assets, net	42.1	43.2	11.5	11.9	53.6	55.1	14.7	11.1
Total Assets	<u>70.9</u>	<u>65.8</u>	<u>12.6</u>	<u>12.9</u>	<u>83.5</u>	<u>78.7</u>	<u>23.0</u>	<u>17.0</u>
Other Liabilities	18.9	14.3	.7	.5	19.6	14.8	3.8	3.0
Non-current Liabilities	23.4	19.4	2.1	2.4	25.5	21.8	1.2	1.5
Total Liabilities	<u>42.3</u>	<u>33.7</u>	<u>2.8</u>	<u>2.9</u>	<u>45.1</u>	<u>36.6</u>	<u>5.0</u>	<u>4.5</u>
Net Assets								
Invested in Capital Assets, net of related debt	22.6	22.5	9.2	9.2	31.8	31.7	14.7	11.1
Restricted								
Unrestricted	6.0	9.5	0.6	0.8	6.6	10.3	3.3	1.4
Total Net Assets	<u>\$28.6</u>	<u>\$32.0</u>	<u>\$9.8</u>	<u>\$10.0</u>	<u>\$38.4</u>	<u>\$42.0</u>	<u>\$18.0</u>	<u>\$12.5</u>

The City's combined net assets decreased from \$42.0 million to \$38.4 million. Net assets of the Governmental activities decreased by \$3.4 million or 10.7%. Governmental activities unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City totaled \$6.0 million. Invested in capital assets, net of related depreciation and debt, represents the amount of capital assets owned by the City including infrastructure, net of any outstanding debt used to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation.

The component unit net assets reflect an increase in City support due to the established funding agreement with the School Board. The City agreement provides that the School system receive 50.73% of specified revenues. The increase also reflects increased amounts being established for pay-as-you-go infrastructure maintenance.

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

Summary Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008 and 2007
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues:								
Program revenues:								
Charges for services	\$ 5.3	\$ 5.3	\$ 5.2	\$ 4.9	\$10.5	\$10.2	\$ 0.5	\$ 0.5
Operating grants and contributions	5.5	4.7	-	-	5.5	4.7	14.4	14.1
Capital grants and contributions								
General revenues:								
Property taxes	20.3	18.3	-	-	20.3	18.3	-	-
Other local taxes	14.1	13.7	-	-	14.1	13.7	-	-
Payment from other governments	-	-	-	-	-	-	23.3	16.7
Intergovernmental, non-categorical aid	1.8	1.9	-	-	1.8	1.9	-	-
Use of money and property	0.7	0.7	-	-	0.7	0.7	0.1	0.3
Miscellaneous	0.3	0.3	-	-	0.3	0.3	0.3	0.1
Total revenues	48.0	44.9	5.2	4.9	53.2	49.8	38.6	31.7
Expenses:								
General government	7.6	6.6	-	-	7.6	6.6	-	-
Judicial administration	4.4	3.7	-	-	4.4	3.7	-	-
Public safety	7.6	6.7	-	-	7.5	3.5	-	-
Public works	3.7	3.5	-	-	3.7	3.5	-	-
Health and welfare	0.7	0.9	-	-	0.7	0.9	-	-
Parks, recreation and cultural	2.4	1.8	-	-	2.4	1.8	-	-
Community development	0.6	0.6	-	-	0.6	0.6	-	-
Education	23.3	16.7	-	-	23.3	16.7	33.1	29.6
Interest	1.1	0.9	-	-	1.1	0.9	-	-
Water, sewer and solid waste	-	-	5.6	5.3	5.6	5.3	-	-
Total expenses	51.2	41.4	5.6	5.3	56.8	46.7	33.1	29.6
Change in Net Assets Before Transfers	(3.2)	3.5	(0.4)	(0.4)	(3.6)	3.1	5.5	2.1
Transfers	(0.2)	(0.4)	0.2	0.4	-	-	-	-
Change in Net Assets	(3.4)	3.1	(0.2)	-	(3.6)	3.1	-	2.1
Net Assets, beginning	32.0	28.9	10.0	10.0	42.0	38.9	12.5	10.4
Net Assets, ending	\$28.6	\$32.0	\$ 9.8	\$10.0	\$38.4	\$42.0	\$18.0	\$12.5

The property tax classification, which comprised approximately 42.3% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public services corporation taxes. Real estate tax revenue, the largest source of revenue for the City totaled \$16.8 million. The assessed value of real property in the City increased 20.1% for the calendar year due to a 2008 real estate reassessment and new construction.

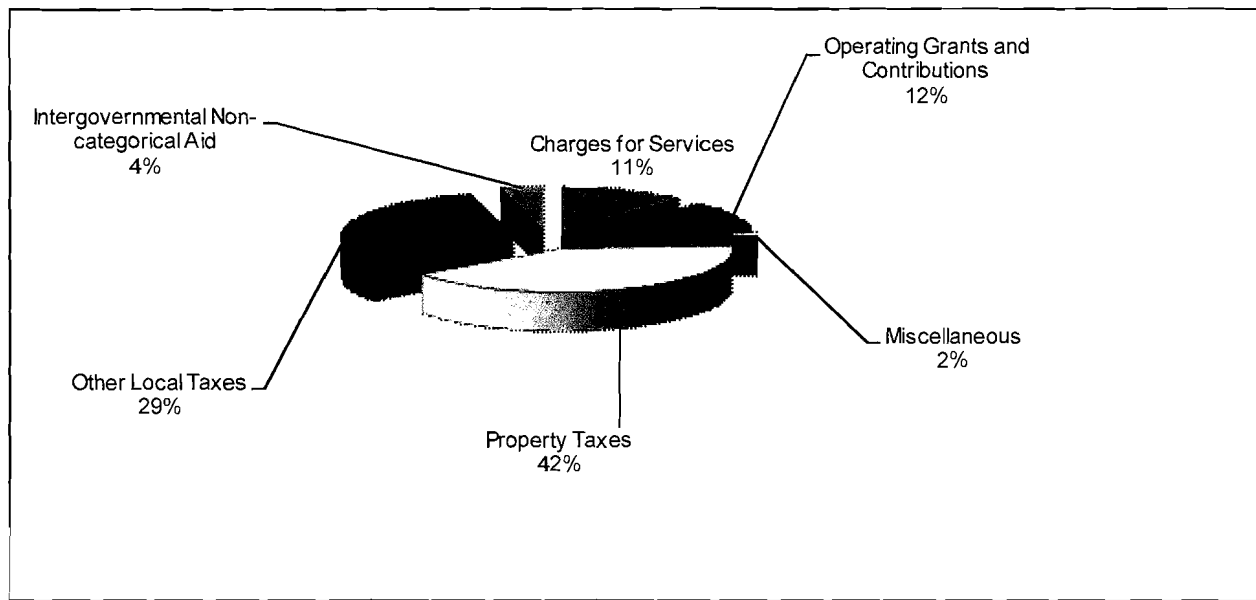
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act. The Commonwealth's share of personal property taxes allocated to the City was 65% for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, totaled \$4.2 million as compared to 3.9 million in fiscal year 2007. The net assessed value of taxable personal property increased \$.9 million or .7 percent from 2007 to 2008 after an increase of \$2.9 million from 2006 to 2007. Increased property tax collections reflect increased collection procedures developed by the City Treasurer's Office.

Sales taxes, utility taxes, business and professional occupational taxes, prepared food and beverage taxes, transient room taxes, and utility taxes comprise the majority of other local taxes collected by the City. Other taxes comprised approximately 29.3% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 11.4% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees. EMS fees were up by 4.3% but still under projected revenues by \$37,600 due to prior year changes in insurance coverage of transported patients.

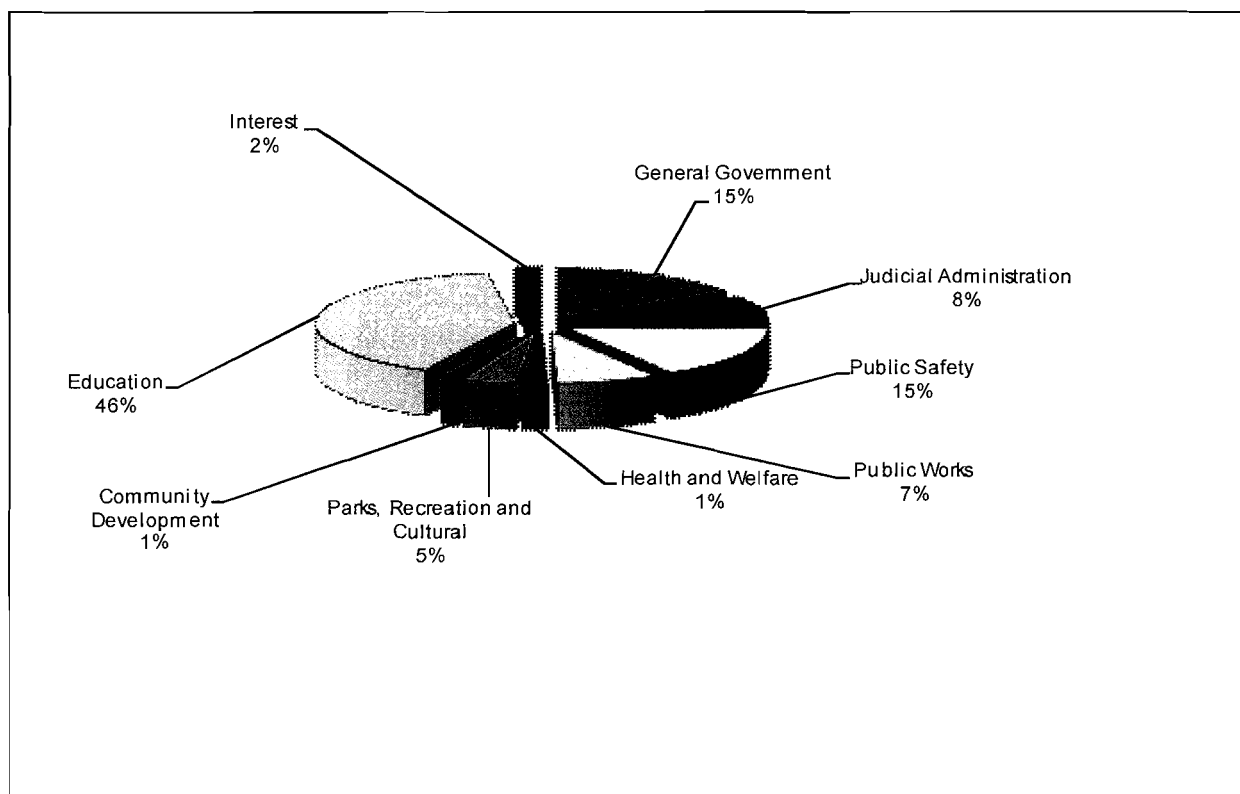
Revenue generated for governmental activities are presented below by category:



Public safety expenses comprised approximately 14.5% of expenses of the governmental activities. Operations of the labor-intensive Police and Fire Departments are included in this category, along with expenses of Emergency Medical Services, and Communications (E911 Call Center). Education expenses comprised 45.5% of governmental activities. Funding, established by the revenue sharing agreement, of \$17.8 million was provided to the City of Colonial Heights School Board to support School operations. This reflects a reduction of \$294,000 from the budgeted estimated \$18.1 million due to lower revenues collected by revenue sharing agreement formula revenues.

Public Works and Health and Welfare expenses comprised approximately 7.1% and 1.4% respectively, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. Solid Waste management previously included in this grouping is now treated as an enterprise fund. The City experienced turnover in key personal positions, which resulted in salary lapse/benefit savings and slowdown of some construction projects which resulted in a higher unexpended balance than traditionally projected. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category and reflect a minor decrease over last year.

Expenses of the governmental activities are shown by functional area:



The net assets of business-type activities decreased approximately \$184,000 during 2008.

The current rate structure was not maintaining sufficient revenues for water and sewer; therefore, the current rate structure was increased by 10% and 15% for the Water and Sewer Funds, respectfully, for fiscal year 2009. No major changes in operations were experienced. The City established and funded a new Stormwater Management Fund also for fiscal year 2009 to deal with operational and capital expenses for State and Federal mandates.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2008, the governmental funds reflect a total fund balance of \$15,647,765. Approximately \$15.6 million of this amount constitutes unreserved fund balance, which is available for spending services and capital projects. Unreserved fund balance is designated to purchase capital equipment, pay claims, fund future debt service requirements, pay for future years' capital projects expenditures and encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The City accounts for Solid Waste collection activities as a business-type activity. This included the establishment of a multiyear rate structure increase to bring the operations to be self-sufficient and not be a City supported service.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund unreserved fund balance was \$9,771,758, while the total fund balance was \$9,826,537. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 20.6% of the total General Fund expenditures and other financing uses, while total fund balance represents 20.7% of that same amount.

The fund balance of the General Fund was increased by \$17,787 during the current fiscal year. The General Fund begins each year with budgeted revenue and expenditure amounts that are equal. This includes \$1,200,000 transferred to the Capital Projects fund for one time capital projects and reserve for future fire apparatus.

Local taxes generated the majority of General Fund revenue, totaling approximately \$33.8 million in fiscal 2008. Increased current collections of personal property taxes helped offset an additional non-budgeted 5 cent reduction in the Real Estate tax rate.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.5 million in fiscal year 2008. The majority of this revenue is received from the Commonwealth and includes law enforcement funding received under Virginia House Bill 599, and street maintenance funds. This is a \$59,000 decrease from fiscal year 2007. Most of the decrease came from previous year's one-time increase in State portion of Personal Property Taxes. Normal increases to base street maintenance funds and the funding for Constitutional Offices were received.

CAPITAL PROJECTS FUND HIGHLIGHTS

The Capital Projects Fund reflects transfer of \$1,050,000 in excess unrestricted General Fund Balance for one-time capital project additions and continuing annual transfer of \$150,000 for future replacement of fire apparatus. Prior authorized \$10,000,000 in General Obligation Bonds were sold for the expansion/renovation of an elementary school and road projects. Project expenditures totaled \$5,715,162 which resulted in a net change in fund balances of \$5,542,238 for an ending fund balance of \$5,821,228.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues exceeded the original budgeted revenues by \$761,750 and final budgeted revenues by \$431,096 or .9 %. This was due to strong increases in real estate assessments offset by an additional reduction in the Real Estate tax rate, reduction in local sales tax collections, and increases in food tax revenues. EMS transport fees were near projections, after prior year changes in percentages of customer with third party insurances. Changes in budget estimates and collection procedures were modified to account for these changes.

General Fund expenditures and transfers were greater than the original budget by \$743,963, and were under the final, amended budget by \$1,391,121 or 2.9%. During fiscal year 2008, City Council amended the budget several times for increases to fund one-time capital projects from General Fund Balance reserves, the awarding of donations and receipt of operational grants. Higher than normal employee turnover resulted in unexpended personal and fringe benefits savings. Budgetary numbers also include equipment purchases authorized but not completed until the 2009 fiscal year.

CAPITAL ASSETS

As of June 30, 2008, the City's capital assets for its governmental and business-type activities amounted to \$53,627,914 (net of accumulated depreciation). This investment includes land, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The total net decrease (additions less retirements and depreciation) in the City's investment in capital assets for the current fiscal year was \$1,462,569 or 2.7%.

Summary Statement of
Capital Assets, Net of Accumulated Depreciation
June 30, 2008 and 2007
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$4.6	\$4.6	\$0.1	\$0.1	\$4.7	\$4.7
Construction in Process	.7	2.3	-	-	.7	2.3
Building and Structures	14.1	14.7	2.0	2.1	16.1	16.8
Infrastructure	18.1	17.0	8.6	8.9	26.7	25.9
Equipment	4.6	4.6	0.8	0.8	5.4	5.4
Total	<u>\$42.1</u>	<u>\$43.2</u>	<u>\$11.5</u>	<u>\$11.9</u>	<u>\$53.6</u>	<u>\$55.1</u>

The changes in each category of Capital Assets are presented in detail in note 9 to the Basic Financial Statements.

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

Expansion/renovation of an elementary school.

Storm drainage and road improvements southern end of City.

Recreational facilities design projects.

LONG-TERM DEBT

At June 30, 2008, the City's long-term liabilities, not including compensated absences, totaled \$31,516,590 consisting of \$29,138,657 related to governmental activities, and \$2,377,933 related to business-type activities. This amount increased by \$8,007,250 during the fiscal year, as a result of the sale of \$9,930,000 in General Obligation Bonds less normal debt retirement.

The City maintained ratings of AA-, AA- and A1 from Fitch Investors Service Inc., Standard & Poor's Rating Service and Moody's Investor Service, respectfully.

The Charter of the City, and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide debt of \$27,295,000 is below the legal debt limit of \$168,097,949.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than compensated absences, as its own. In addition to bonded debt, the City's long-term obligations include compensated absences. Additional information concerning the City's long-term liabilities is presented in note 10 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City at June 30, 2008 was 4.8 percent, compared to a June 30, 2007 rate of 3.3 percent. This is the same as the state average of 4.8 percent and compares favorably with the national average unemployment rate of 5.7 percent.

The City had a population of 16,901, according to the 2000 census, an increase of 837 since the 1990 census. Current estimation of the City's population by the Virginia Employment Commission is 17,796.

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

To ensure that the City maintains a competitive compensation package to retain high-performing employees, a 3% across-the-board salary and a 3% merit increase for all employees was adopted as part of fiscal 2009 budget. Additional contributions to cover cost of employee health and dental insurance were also adopted. The adopted fiscal 2009 General Fund budget increased \$1,848,316 over 2008 amounts to maintain current service in the community.

The Governmental Accounting Standards Board has issued GASB 43, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* and GASB 45 *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. These two statements require local governments to report the liability associated with OPEB. The statement does not require that the local government fund the OPEB obligation. The City will have to record this liability beginning with the Fiscal Year 2009 CAFR. The City is working with an actuary firm and based on the current plan structures of both City and School plans, anticipate a total preliminary actuarial accrued liability of \$10,947,217 and an annual required contribution of \$958,112. This represents \$2,366,771 for the City and \$8,580,446 for the Schools in regard to the total actuarial accrued liability and \$242,576 to the City and \$715,536 to the Schools for the annual required contribution. If the City funded this liability with an \$187,723 annual required contribution in the first year for the City and a \$586,783 annual required contribution in the first year for the Schools, the actuarial accrued liability would be reduced to \$1,674,280 for the City and \$6,240,595 for the Schools. The City is currently exploring various options including funding, eligibility, plan design, and cost sharing in an effort to mitigate these initial estimated liability figures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Unit
	Governmental	Business-type	Totals	School Board
	Activities	Activities		
ASSETS				
Cash and investments	\$ 7,593,547	\$ 299,546	\$ 7,893,093	\$ 4,783,279
Receivables, net				
Taxes	11,394,595	-	11,394,595	-
Accounts	327,159	911,674	1,238,833	-
Other	22,205	-	22,205	-
Due from primary government	-	-	-	155,237
Due from other governments	2,370,561	45,563	2,416,124	1,501,716
Internal balances	173,907	(173,907)	-	-
Inventories	54,779	-	54,779	41,768
Other	9,446	-	9,446	3,052
Restricted cash	6,685,323	-	6,685,323	1,746,038
Financing costs, net of accumulated amortization	232,658	-	232,658	-
Capital assets, net of accumulated depreciation:				
Land	4,644,581	136,300	4,780,881	1,090,102
Construction in progress	644,307	-	644,307	4,031,302
Land improvements	-	48,927	48,927	-
Building and structures	19,269,267	3,762,630	23,031,897	19,159,021
Infrastructure	52,507,266	14,168,489	66,675,755	-
Equipment	11,558,591	2,572,208	14,130,799	3,414,086
Less: accumulated depreciation	(46,536,580)	(9,148,072)	(55,684,652)	(12,960,067)
Total assets	70,951,612	12,623,358	83,574,970	22,965,534
LIABILITIES				
Accounts payable	390,999	242,846	633,845	728,022
Accrued interest	261,501	7,550	269,051	-
Accrued liabilities	740,787	41,493	782,280	2,855,731
Unearned revenue	10,268,254	-	10,268,254	22,901
Due to component unit	155,237	-	155,237	-
Deposits payable	111,930	93,631	205,561	-
Due to other governments	233,459	-	233,459	-
Noncurrent liabilities:				
Due within one year	6,771,962	349,880	7,121,842	171,505
Due in more than one year	23,387,386	2,083,694	25,471,080	1,176,976
Total liabilities	42,321,515	2,819,094	45,140,609	4,955,135
NET ASSETS				
Invested in capital assets, net of related debt	22,623,711	9,162,549	31,786,260	14,734,444
Unrestricted	6,006,386	641,715	6,648,101	3,275,955
Total net assets	\$ 28,630,097	\$ 9,804,264	\$ 38,434,361	\$ 18,010,399

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit B

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit School Board
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental activities:								
General government	\$ 7,617,133	\$ 3,221,144	\$ 1,044,527	\$ -	\$ (3,351,462)	\$ -	\$ (3,351,462)	\$ -
Judicial administration	4,401,401	566,042	762,009	-	(3,073,350)	-	(3,073,350)	-
Public safety	7,446,556	977,509	979,729	-	(5,489,318)	-	(5,489,318)	-
Public works	3,650,407	237,048	2,009,166	-	(1,404,193)	-	(1,404,193)	-
Health and welfare	716,096	-	-	-	(716,096)	-	(716,096)	-
Parks, recreation and cultural	2,350,085	285,497	-	-	(2,064,588)	-	(2,064,588)	-
Community development	580,574	-	-	-	(580,574)	-	(580,574)	-
Education	23,330,795	-	677,514	-	(22,653,281)	-	(22,653,281)	-
Interest	1,136,041	-	-	-	(1,136,041)	-	(1,136,041)	-
Total governmental activities	51,229,088	5,287,240	5,472,945	-	(40,468,903)	-	(40,468,903)	-
Business-type activities:								
Water	1,610,037	1,663,191	-	-	-	53,154	53,154	-
Sewer	2,772,254	2,523,737	-	-	-	(248,517)	(248,517)	-
Solid waste	1,263,794	1,061,851	-	-	-	(201,943)	(201,943)	-
Total business-type activities	5,646,085	5,248,779	-	-	-	(397,306)	(397,306)	-
Total primary government	\$ 56,875,173	\$ 10,536,019	\$ 5,472,945	\$ -	(40,468,903)	(397,306)	(40,866,209)	-
Component Unit:								
Colonial Heights public schools	\$ 33,178,764	\$ 557,939	\$ 14,434,911	\$ -	-	-	-	(18,185,914)
General Revenues:								
Taxes:								
General property taxes					20,292,300	-	20,292,300	-
Other local taxes:								
Local sales and use					7,247,183	-	7,247,183	-
Food and lodging					4,622,383	-	4,622,383	-
Consumer utility and communications sales and use					1,798,301	-	1,798,301	-
Other					412,888	-	412,888	-
Payments from City of Colonial Heights					-	-	-	23,330,795
Intergovernmental, non-categorical aid					1,777,424	-	1,777,424	-
Use of money and property					713,779	11,217	724,996	97,462
Miscellaneous					364,836	-	364,836	267,880
Transfers					(202,000)	202,000	-	-
Total general revenues and transfers					37,027,094	213,217	37,240,311	23,696,137
Change in net assets					(3,441,809)	(184,089)	(3,625,898)	5,510,223
Net assets, beginning					32,071,906	9,988,353	42,060,259	12,500,176
Net assets, ending					\$ 28,630,097	\$ 9,804,264	\$ 38,434,361	\$ 18,010,399

See Notes to Financial Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 7,593,547	\$ -	\$ 7,593,547
Receivables, net			
Taxes	11,394,595	-	11,394,595
Accounts	327,159	-	327,159
Other	22,205	-	22,205
Due from other funds	574,954	-	574,954
Due from other governments	2,370,561	-	2,370,561
Due from component unit	294,413	-	294,413
Inventories	54,779	-	54,779
Other	9,446	-	9,446
Restricted cash	-	6,685,323	6,685,323
Total assets	\$ 22,641,659	\$ 6,685,323	\$ 29,326,982
LIABILITIES			
Accounts payable	\$ 377,601	\$ 13,398	\$ 390,999
Due to other funds	-	401,047	401,047
Due to other governments	233,459	-	233,459
Due to component unit	-	449,650	449,650
Accrued liabilities	740,787	-	740,787
Deposits payable	111,930	-	111,930
Deferred revenue	11,351,345	-	11,351,345
Total liabilities	12,815,122	864,095	13,679,217
FUND BALANCES			
Reserved for:			
Inventories	54,779	-	54,779
Unreserved:			
Designated for:			
Encumbrances	720,761	612,818	1,333,579
Future expenditures	-	-	-
Undesignated:			
General fund	9,050,997	-	9,050,997
Capital projects fund	-	5,208,410	5,208,410
Total fund balances	9,826,537	5,821,228	15,647,765
Total liabilities and fund balances	\$ 22,641,659	\$ 6,685,323	\$ 29,326,982

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008**

Total fund balances - governmental funds	\$ 15,647,765
--	---------------

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

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

Governmental capital assets	\$ 88,624,012	
Less: accumulated depreciation	(46,536,580)	
Net capital assets		42,087,432

Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	1,083,091
---	-----------

Long-term debt issuance costs are deferred and amortized in the Statement of Activities but the effect of issuance costs are recorded in the governmental funds in the current period.	232,658
---	---------

Long-term liabilities, including interest payable,
are not due and payable in the current period and,
therefore, are not reported as liabilities in the
governmental funds.

Bonds payable, including unamortized premiums	(25,168,357)	
Notes payable	(3,970,300)	
Compensated absences	(1,020,691)	
Interest payable	(261,501)	
		(30,420,849)

Net assets of governmental activities	\$ 28,630,097
--	----------------------

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 19,766,717	\$ -	\$ 19,766,717
Other local taxes	14,080,755	-	14,080,755
Permits, fees and licenses	3,446,688	-	3,446,688
Fines and forfeitures	566,042	-	566,042
Charges for services	1,274,510	-	1,274,510
Use of money and property	713,779	-	713,779
Miscellaneous	362,336	2,500	364,836
Reimbursement from component unit	677,514	-	677,514
Intergovernmental	6,517,955	54,900	6,572,855
Total revenues	47,406,296	57,400	47,463,696
Expenditures:			
Current:			
General government	6,742,155	-	6,742,155
Judicial administration	4,250,944	-	4,250,944
Public safety	7,162,033	-	7,162,033
Public works	2,596,771	-	2,596,771
Health and welfare	712,298	-	712,298
Parks, recreation and cultural	2,130,976	-	2,130,976
Community development	538,041	-	538,041
Education	18,143,261	5,187,534	23,330,795
Grants	406,310	-	406,310
Nondepartmental	467,976	-	467,976
Debt service:			
Principal	1,672,927	-	1,672,927
Interest and fiscal charges	1,162,817	-	1,162,817
Capital outlays	-	527,628	527,628
Total expenditures	45,986,509	5,715,162	51,701,671
Revenues over (under) expenditures	1,419,787	(5,657,762)	(4,237,975)
Other Financing Sources (Uses):			
Issuance of debt	-	9,930,000	9,930,000
Premium on issuance of debt	-	70,000	70,000
Transfers in	-	1,200,000	1,200,000
Transfers out	(1,402,000)	-	(1,402,000)
Other financing sources (uses), net	(1,402,000)	11,200,000	9,798,000
Net change in fund balances	17,787	5,542,238	5,560,025
Fund balances, beginning	9,808,750	278,990	10,087,740
Fund balances, ending	\$ 9,826,537	\$ 5,821,228	\$ 15,647,765

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

	Governmental Funds	
Net change in fund balances - governmental funds	\$ 5,560,025	
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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 depreciation exceeded capital outlays in the current period.		
Expenditures for capital assets	\$ 1,518,495	
Less depreciation expense	<u>(2,616,656)</u>	
Excess of depreciation over capital outlays		(1,098,161)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations).		(42,533)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Change in deferred revenue		525,583
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued or incurred:		
General obligation debt	(9,930,000)	
Premium on general obligation debt	(70,000)	
Principal repayments	<u>1,672,927</u>	
		(8,327,073)
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.		
Change in compensated absences	(86,426)	
Change in accrued interest payable	(30,526)	
Capitalized financing costs	93,461	
Amortization of financing costs and premiums	<u>(36,159)</u>	
		<u>(59,650)</u>
Change in net assets of governmental activities		\$ (3,441,809)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	Totals
	Water	Sewer	Solid Waste	
Operating Revenues:				
Charges for services	\$ 1,403,548	\$ 2,349,637	\$ 1,048,323	\$ 4,801,508
Connection fees	211,569	174,100	-	385,669
Penalties and interest	40,423	-	13,528	53,951
Total operating revenues	1,655,540	2,523,737	1,061,851	5,241,128
Operating Expenses:				
Personnel	425,537	259,724	50,832	736,093
Fringe benefits	165,895	85,333	17,810	269,038
Heat, light and power	646	76,309	-	76,955
Repairs and maintenance	26,419	13,106	1,864	41,389
General materials and supplies	70,705	105,693	1,587	177,985
Contracted collection services	-	-	1,086,661	1,086,661
Sewage treatment costs	-	1,709,231	-	1,709,231
Water purchased for resale	522,824	-	-	522,824
Depreciation	128,041	224,712	-	352,753
Other charges	220,872	247,587	105,040	573,499
Total operating expenses	1,560,939	2,721,695	1,263,794	5,546,428
Operating income (loss)	94,601	(197,958)	(201,943)	(305,300)
Nonoperating Revenues (Expenses):				
Interest income	11,217	-	-	11,217
Sale of scrap	7,651	-	-	7,651
Interest expense	(49,098)	(50,559)	-	(99,657)
Total nonoperating expenses, net	(30,230)	(50,559)	-	(80,789)
Income (loss) before transfers	64,371	(248,517)	(201,943)	(386,089)
Transfers in	-	6,396,360	202,000	6,598,360
Transfers out	(6,396,360)	-	-	(6,396,360)
Change in net assets	(6,331,989)	6,147,843	57	(184,089)
Net assets, beginning	9,738,688	-	249,665	9,988,353
Net assets, ending	\$ 3,406,699	\$ 6,147,843	\$ 249,722	\$ 9,804,264

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	Water	Sewer	Solid Waste	Totals
Cash Flows From Operating Activities:				
Receipts from customers	\$ 1,680,411	\$ 2,425,723	\$ 1,079,557	\$ 5,185,691
Payments to suppliers for goods and services	(886,857)	(2,147,582)	(1,206,482)	(4,240,921)
Payments to employees for services	(541,916)	(342,066)	(66,183)	(950,165)
Net cash provided by (used in) operating activities	251,638	(63,925)	(193,108)	(5,395)
Cash Flows From Noncapital Financing Activities:				
Transfers in	-	-	202,000	202,000
Advances (to) from other funds	(82,616)	461,603	(29,266)	349,721
Net cash provided by (used in) noncapital financing activities	(82,616)	461,603	172,734	551,721
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(14,000)	(16,878)	-	(30,878)
Principal paid on bond maturities and capital lease	(134,941)	(171,673)	-	(306,614)
Interest paid on bond maturities and capital lease	(49,447)	(50,811)	-	(100,258)
Net cash used in capital and related financing activities	(198,388)	(239,362)	-	(437,750)
Cash Flows From Investing Activities:				
Interest income	11,217	-	-	11,217
Net cash provided by investing activities	11,217	-	-	11,217
Net increase (decrease) in cash and cash equivalents	(18,149)	158,316	(20,374)	119,793
Cash and Cash Equivalents				
Beginning	31,395	55,813	92,545	179,753
Ending	\$ 13,246	\$ 214,129	\$ 72,171	\$ 299,546

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	Water	Sewer	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 94,601	\$ (197,958)	\$ (201,943)	\$ (305,300)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	128,041	224,712	-	352,753
Cash received from sales of scrap	7,651	-	-	7,651
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(43,969)	(40,338)	17,706	(66,601)
Increase (decrease) in:				
Accounts payable	91,894	54,293	(11,330)	134,857
Accrued liabilities	(26,580)	(104,634)	2,459	(128,755)
Net cash provided by (used in) operating activities	\$ 251,638	\$ (63,925)	\$ (193,108)	\$ (5,395)
Supplemental Schedule of Noncash Capital and Related financing activity:				
Assets transferred from Water to Sewer fund	\$ (6,396,360)	\$ 6,396,360	\$ -	\$ -

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit - School Board - The City of Colonial Heights public school system is responsible for elementary and secondary education within the City. The elected five-member School Board serves staggered four-year terms of office. The School Board functions independently of the City Council, but is required to prepare and submit an annual budget to the City Council for approval. The School Board may not levy taxes or incur indebtedness under Virginia law and, therefore, funds for school operations are provided, in part, by appropriation from the City's General Fund. Funds for constructing school facilities are provided by City approved and issued general obligation bonds and appropriations from the City's General Fund. The School Board is presented as a governmental fund type and consists of one operating fund and one capital projects fund. Additionally, the School Board reports one agency fund, the School Activity Fund, which is custodial in nature (assets equal liabilities) and does not involve measurement of operations.

The APA establishes financial reporting requirements for all localities in the Commonwealth of Virginia. The APA has determined that all Virginia School Boards shall be reported as discretely presented component units of the locality. The APA has also specified additional reporting requirements with respect to School Boards.

The Component Unit's financial reports, herein presented, were prepared by the City's Financial Administration Office using information provided by the School Board which has been audited by their independent auditors. School Board related capital assets and long-term liabilities are included under the discrete component unit presentation. Details specific to School Board information communicated in the City's Comprehensive Annual Financial Report may be obtained by contacting the School Board's administrative offices located at:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements. Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. Property taxes, sales taxes, franchise taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues to fund the program.

All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

Enterprise Funds. The Water Fund and Sewer Fund are used to account for the acquisition, operation and maintenance of facilities which are primarily supported by user charges. The City elected to establish a Solid Waste Fund to provide solid waste collections and become self-sufficient over a multi-year rate structure increase. The operations of the Water, Sewer, and Solid Waste Funds are accounted for and reported as Enterprise Funds. These funds account for services to the general public which are financed primarily by charges to users of such services.

D. Budgetary Data

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

1. Proposal – At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Projects – The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project.
3. Adoption – Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the departmental level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within departments, with any interdepartmental transfers being approved by City Council. During the year, \$2,135,089 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of designated fund balance, and the appropriation of additional intergovernmental grants received during the year.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Budgetary Data (Continued)

5. Legal Compliance – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource.

E. Assets, Liabilities and Equity

1. Investments

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

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, money market funds and the State Treasurer's Local Government Investment Pool. Cash resources of the individual funds are combined to form a pool of cash and investments to maximize earnings. All investment earnings are allocated to the various funds based on equity in the investment pool.

Investments are stated at fair value based on quoted market prices.

2. Property Taxes

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

For real estate assessed on January 1, 2008, payment is due in two installments on May 15 and November 15 and is considered delinquent if not received by the due date. On January 1, real estate taxes become an enforceable lien on related property. The real estate taxes reported as current year revenue are the second installment (November 15) of the levy on assessed value at January 1, 2007 and the first installment (May 15) of the levy at January 1, 2008. The tax rate for calendar year 2008 was \$1.15 per \$100 of assessed value.

Personal Property - The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1, 2007, and the first installment (June 5) of the levy at January 1, 2008. The tax rate for calendar year 2008 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected by the City.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

3. Inventories

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

4. Restricted Cash

The General Capital Projects and School Board Capital Projects funds have restricted their cash balances in accordance with a debt agreement.

5. Capital Assets

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

Land improvement	5 – 20 years
Buildings and structures	20 – 50 years
Equipment	4 – 20 years
Infrastructure	30 – 50 years

In accordance with GASB Statement No. 34, the City's infrastructure has been capitalized, including infrastructure acquired prior to 1980.

6. Compensated Absences Payable

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$1,020,691 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and fund presentations.

Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred. At June 30, 2008, the liability for compensated absences was \$55,641.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. Use of Estimates

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits: All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

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

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

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

At June 30, 2008, the City's deposit and investment balances were as follows:

	Fair Value
Deposits:	
Demand	\$ 1,394,297
Cash on hand	13,850
	<u>1,408,147</u>
Investments:	
Money market funds	1,008,677
Treasurer's local government investment pool	12,161,592
	<u>13,170,269</u>
Total deposits and investments	<u>\$ 14,578,416</u>

At June 30, 2008, the School Board's deposit and investment balances were as follows:

Deposits:	
Demand	<u>\$ 6,529,317</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

Receivables at June 30, 2008, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Taxes	\$ 11,634,285	\$ -	\$ -	\$ -	\$ 11,634,285
Accounts	327,159	297,839	495,746	193,089	1,313,833
Other	22,205	-	-	-	22,205
Gross receivables	11,983,649	297,839	495,746	193,089	12,970,323
Less allowance for uncollectible accounts	239,690	27,000	48,000	-	314,690
Net receivables	\$ 11,743,959	\$ 270,839	\$ 447,746	\$ 193,089	\$ 12,655,633

The allowance for uncollectibles in the General and Enterprise Funds is based on prior experience with respect to collections. In accordance with policy, no allowance is recorded for delinquent real estate taxes.

Note 4. Deferred Revenue

Deferred 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 revenue totaling \$11,351,345 comprised of the following:

Deferred Property Tax Revenue - Deferred revenue, representing uncollected tax billings not available for funding of current expenditures, totaled \$10,770,036 at June 30, 2008. Unearned advance 2008 tax billing represent \$10,268,254 with \$501,782 being other unavailable receivables.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2008 but paid in advance by the taxpayers totaled \$581,309 at June 30, 2008.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Post Retirement Health Care Benefits

In accordance with a City ordinance, retirees with 20 years of service are provided a Medicare premium supplement totaling \$1.50 per year of service, with a maximum supplement of \$45 per month. Expenditures are recognized on a pay-as-you-go basis. The retiree must pay for coverage of dependents. During the fiscal year ended June 30, 2008, the City's share of premiums was \$2,712 for ten participating retirees.

In addition, City retirees not eligible for Medicare and who have 20 years of service receive a group health insurance credit of \$50 per month plus a \$5 per month credit for each year of service exceeding 20 years. This credit is limited to \$100 per month. Expenditures are recognized on a pay-as-you-go basis. During the fiscal year ended June 30, 2008, the City's share of premiums was \$8,100 for ten participating retirees.

Note 6. Due From Other Governments

Due from other governments consists of the following:

	Primary Government	Component Unit	Sewer Fund
Federal government	\$ 35,259	\$ 988,116	\$ -
Commonwealth of Virginia:			
Other aid, grants and reimbursements	178,904	-	-
Sales tax	1,196,133	455,761	-
PPTRA	960,265	-	-
Chesterfield County service charges	-	-	13,976
Virginia State University service charges	-	-	31,587
Other governments	-	57,839	-
	<u>\$ 2,370,561</u>	<u>\$ 1,501,716</u>	<u>\$ 45,563</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Obligations

Individual fund interfund receivable and payable balances at June 30, 2008 are:

	Interfund Receivables	Interfund Payables
General Fund	\$ 574,954	\$ -
Capital Project Fund	-	401,047
Water Fund	324,359	-
Sewer Fund	76,688	574,954
	<u>\$ 976,001</u>	<u>\$ 976,001</u>

Bond financed Water Fund and Sewer Fund projects are transferred to the Capital Project Fund which accounts for payables between the funds. The Sewer Fund interfund payable represents past operational subsidies received from General Fund.

Note 8. Interfund Transfers

	Transfer From Fund		
	General Fund	Water Fund	Total Transferred In
Transfer To Fund:			
Capital Projects Fund	\$ 1,200,000	\$ -	\$ 1,200,000
Solid Waste Fund	202,000	-	202,000
Sewer Fund	-	6,396,360	6,396,360
Total Transferred Out	<u>\$ 1,402,000</u>	<u>\$ 6,396,360</u>	<u>\$ 7,798,360</u>

The transfer from the General Fund to the Capital Projects Fund was to transfer bond proceeds for capital project expenditures.

The transfer from the General Fund to the Solid Waste Fund was to subsidize operations.

The transfer from the Water Fund to the Sewer Fund was to establish the Sewer Fund out of the former combined Water and Sewer Fund.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

Primary Government:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,673,594	\$ -	\$ (29,013)	\$ 4,644,581
Construction in progress	2,252,793	629,345	(2,237,831)	644,307
Total capital assets, not being depreciated	6,926,387	629,345	(2,266,844)	5,288,888
Capital assets, being depreciated:				
Buildings and structures	19,242,986	-	26,281	19,269,267
Infrastructure	50,152,452	418,173	1,936,641	52,507,266
Equipment	10,894,192	470,977	193,422	11,558,591
Total capital assets being depreciated	80,289,630	889,150	2,156,344	83,335,124
Less accumulated depreciation for:				
Buildings and structures	(4,552,369)	(603,979)	-	(5,156,348)
Infrastructure	(33,225,775)	(1,178,979)	-	(34,404,754)
Equipment	(6,209,747)	(833,698)	67,967	(6,975,478)
Total accumulated depreciation	(43,987,891)	(2,616,656)	67,967	(46,536,580)
Total capital assets being depreciated, net	36,301,739	(1,727,506)	2,224,311	36,798,544
Governmental activities capital assets, net	\$ 43,228,126	\$ (1,098,161)	\$ (42,533)	\$ 42,087,432

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 28,510
Judicial administration	4,867
Public safety	623,810
Public works	1,589,285
Health and welfare	3,798
Parks, recreation and cultural	366,386
Total depreciation expense - governmental activities	\$ 2,616,656

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets (Continued)

Equipment and other fixed assets include capitalized leases of \$1,182,442 with a net book value \$186,200.

Management has determined that capitalization of interest costs in the proprietary fund types is immaterial in relation to total expenses and total proprietary fund capital assets. Accordingly, the City does not currently capitalize interest costs.

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 136,300	\$ -	\$ -	\$ 136,300
Total capital assets, not being depreciated	136,300	-	-	136,300
Capital assets, being depreciated:				
Land improvements	48,927	-	-	48,927
Buildings and structures	3,762,630	-	-	3,762,630
Infrastructure	14,168,489	-	-	14,168,489
Equipment	2,551,211	30,878	(9,881)	2,572,208
Total capital assets being depreciated	20,531,257	30,878	(9,881)	20,552,254
Less accumulated depreciation for:				
Land improvements	(37,972)	(249)	-	(38,221)
Buildings and structures	(1,675,206)	(79,873)	-	(1,755,079)
Infrastructure	(5,310,080)	(215,792)	-	(5,525,872)
Equipment	(1,781,942)	(56,839)	9,881	(1,828,900)
Total accumulated depreciation	(8,805,200)	(352,753)	9,881	(9,148,072)
Total capital assets being depreciated, net	11,726,057	(321,875)	-	11,404,182
Business-type activities capital assets, net	\$ 11,862,357	\$ (321,875)	\$ -	\$ 11,540,482

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:	
Water	\$ 128,041
Sewer	224,712
	<u>\$ 352,753</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets (Continued)

Component Unit: School Board

	Beginning Balance	Additions	(Deletions)/ Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Construction in progress	-	3,666,322	364,980	4,031,302
Total capital assets, not being depreciated	1,090,102	3,666,322	364,980	5,121,404
Capital assets, being depreciated:				
Buildings and structures	19,073,345	464,409	(378,733)	19,159,021
Equipment	3,249,799	164,287	-	3,414,086
Total capital assets being depreciated	22,323,144	628,696	(378,733)	22,573,107
Less accumulated depreciation for:				
Buildings and structures	(10,090,829)	(417,425)	2,750	(10,505,504)
Equipment	(2,212,359)	(242,204)	-	(2,454,563)
Total accumulated depreciation	(12,303,188)	(659,629)	2,750	(12,960,067)
Total capital assets being depreciated, net	10,019,956	(30,933)	(375,983)	9,613,040
School Board capital assets, net	\$ 11,110,058	\$ 3,635,389	\$ (11,003)	\$ 14,734,444

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations

The following schedule reflects changes in long-term liabilities, by area of responsibility, for the fiscal year ended June 30, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 16,740,612	\$ 9,930,000	\$ (1,672,927)	\$ 24,997,685	\$ 2,112,578
Notes payable	3,970,300	-	-	3,970,300	3,970,300
Unamortized premium	113,881	70,000	(13,209)	170,672	-
	20,824,793	10,000,000	(1,686,136)	29,138,657	6,082,878
Compensated absences	934,265	964,311	(877,885)	1,020,691	689,084
	21,759,058	10,964,311	(2,564,021)	30,159,348	6,771,962
Business-type activities:					
General obligation bonds	2,579,388	-	(282,073)	2,297,315	297,422
Capital lease	105,159	-	(24,541)	80,618	25,671
	2,684,547	-	(306,614)	2,377,933	323,093
Compensated absences	52,388	86,693	(83,440)	55,641	26,787
	2,736,935	86,693	(390,054)	2,433,574	349,880
Primary government long-term liabilities	\$ 24,495,993	\$ 11,051,004	\$ (2,954,075)	\$ 32,592,922	\$ 7,121,842
Component unit – School Board:					
Compensated absences	\$ 750,257	\$ 232,476	\$ (158,479)	\$ 824,254	\$ 41,213
Retirement incentive program	798,475	-	(274,248)	524,227	130,292
	\$ 1,548,732	\$ 232,476	\$ (432,727)	\$ 1,348,481	\$ 171,505

Enterprise Fund revenue sources are used to repay its debt, with all other debt, except School Board accrued leave and retirement incentive, being paid out of General Fund sources.

Outstanding long-term liabilities at June 30, 2008 are comprised of the following:

Description	Date Issued	Interest Rate	Amount Outstanding
General obligation serial bonds:			
General improvement:			
Series 1996	1996	5.100-5.250%	\$ 760,000
Series 1998	1998	3.850-4.100%	1,965,000
Series 2000	2000	5.125-5.400%	3,645,000
Series 2002	2002	4.000-4.300%	4,675,000
Series 2003	2003	2.470%	890,000
Series 2004	2004	3.000-3.750%	5,430,000
Series 2007	2007	4.000%	9,930,000
Total bonds			<u>\$ 27,295,000</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations (Continued)

Description	Date Issued	Interest Rate	Amount Outstanding
Notes Payable:			
Chesterfield Avenue Property	2005	5.02%	\$ 3,970,300
Capital Lease Payable	2006	4.56%	\$ 80,618
Retirement Incentive Program	1995	8.00%	\$ 524,227

All general obligation bonds are secured by the full faith and credit of the City. All financial bond requirements have been met by the City.

The annual requirements to amortize all long-term liabilities outstanding, excluding accrued annual leave, retirement incentive program and environmental liabilities are as follows:

Year Ending June 30,	General Obligation Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 2,112,578	\$ 983,496	\$ 297,423	\$ 83,566
2010	2,181,533	899,781	303,467	72,526
2011	1,899,027	816,871	240,973	61,964
2012	1,978,707	736,203	251,293	52,060
2013	1,897,165	656,040	217,835	42,790
2014-2018	8,372,775	2,143,328	847,272	104,741
2019-2023	3,805,900	940,235	139,052	5,265
2024-2027	2,750,000	280,000	-	-
Total	\$ 24,997,685	\$ 7,455,954	\$ 2,297,315	\$ 422,912

Year Ending June 30,	Notes Payable		Capital Lease Payable	
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 3,970,300	\$ 199,309	\$ 25,671	\$ 3,242
2010	-	-	26,861	2,052
2011	-	-	28,086	819
Total	\$ 3,970,300	\$ 199,309	\$ 80,618	\$ 6,113

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Environmental Liabilities

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 a certain number of years after closure. For purposes of determining the required years for postclosure testing, the former landfill is treated as a solid waste landfill that stopped receiving waste prior to the passing of Subtitle D of the Environmental Protection Act Regulations. The required number of years of testing is thus ten years.

The City has recently completed the process of closing the former City landfill. The North End has been previously closed and the South End was approved by the Virginia Division of Waste Management during the year ended June 30, 2003. The postclosure costs for the South End of the former City landfill are currently projected to be approximately \$300,000 based on a minimum ten years of testing. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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.

Note 12. Defined Benefit Pension Plan

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)

Plan Description: The City and School Board contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. All full-time, salaried, permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for local law enforcement officers, firefighters, and sheriffs), or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500 or downloaded from their website at <http://www.varetire.org/pdf/publications/2007annurept.pdf>.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported salary to VRS. This 5% member contribution may be assumed by the employer. The City and School Board have elected to assume the 5% member contribution. In addition, they are required to contribute the remaining amounts necessary to fund their 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 and School Board's (for nonprofessional employees) contribution rate for the fiscal year ended June 30, 2008 was 14.8% and 12.44% of annual covered payroll, respectively. The School Board required contributions and percentage to the VRS statewide teacher (professional employees) pool for fiscal years 2008, 2007, and 2006 was \$2,238,955, \$2,582,690, and \$1,683,839, respectively and were equal to 100% of the required contribution for professional employees for each year.

Annual Pension Cost: For fiscal year 2008, the City's and School Board's nonprofessional employee annual pension costs of \$1,787,697 were equal to the required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the 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 unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

Three-year trend information for the City and School Board nonprofessional employees is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2008	\$ 1,664,177	100%	\$ -
June 30, 2007	1,468,499	100%	-
June 30, 2006	1,416,366	100%	-
School Board:			
June 30, 2008	\$ 123,520	100%	\$ -
June 30, 2007	125,556	100%	-
June 30, 2006	80,840	100%	-

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress: As of June 30, 2007, the most recent actuarial valuation date, the City's Plan was 88.05% funded. The actuarial accrued liability for benefits was \$40,669,059, and the actuarial value of assets was \$35,809,408, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,859,651. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,955,727, and ratio of the UAAL to the covered payroll was 48.81%.

As of June 30, 2007, the most recent actuarial valuation date, the School Board's Plan was 93.36% funded. The actuarial accrued liability for benefits was \$3,760,191, and the actuarial value of assets was \$3,510,664, resulting in an unfunded actuarial accrued liability (UAAL) of \$249,527. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,016,232 and ratio of the UAAL to the covered payroll was 24.55%.

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 liability for benefits.

Note 13. Commitments and Contingent Liabilities

Contingent Liabilities: Various claims and lawsuits are pending against the City. In the opinion of the City management, resolution of these cases would not involve a substantial liability for the City.

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

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

Construction Commitments: The City has entered into various construction contracts totaling approximately \$612,000. The School Board has outstanding construction contract commitments of approximately \$1,839,000.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management

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

Risk Pools

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Joint Ventures

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

The general purpose of the Jail Authority is to acquire, construct, equip, maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Jail Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. During July and August 1992, each participating jurisdiction approved the Service Agreement at its respective board meeting. The board members of the Jail Authority signed the Service Agreement on August 27, 1992.

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

Appomattox River Water Authority: The City, in conjunction with the Counties of Chesterfield, Dinwiddie and Prince George and the City of Petersburg, participated in the creation of the Appomattox River Water Authority (Water Authority). The Water Authority was established under the provisions of the Virginia Water and Sewer Authorities Act. The Water Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Water Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Water Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for the year ended June 30, 2008 was \$522,824. Complete financial statements for the Water Authority can be obtained from the Water Authority's office at 21300 Chesdin Road, Petersburg, VA 23803.

South Central Wastewater Authority (SCWWA): The authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract. The City's cost of wastewater treatment for the year ended June 30, 2008 was \$1,709,231. Complete financial statements for the Wastewater Authority can be obtained from the Wastewater Authority's office at 900 Magazine Road, Petersburg, VA 23803.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Jointly Governed Organizations

Central Virginia Waste Management Authority: The Central Virginia Waste Management Authority (Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Cities of Colonial Heights, Petersburg and Richmond, as well as the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, Prince George, and the Town of Ashland. The Waste Authority is comprised of a 20-member board with member jurisdictions making at least one but no more than three appointments. The City appoints one board member. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has an ongoing financial interest or responsibility in the Waste Authority. The City's fiscal year 2008 contribution requirement and direct payments for special projects totaled \$1,028,956.

Virginia Gateway Region Board: The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell and Petersburg, as well as the Counties of Chesterfield, Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the ABIDCO board and contributed \$32,623 to ABIDCO for the fiscal year ended June 30, 2008.

Note 17. Related Organization

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

Note 18. Subsequent Event

On October 22, 2008, the City issued \$3,970,000 in General Obligation Refunding Bonds for the purpose of refinancing the note payable. The bonds are payable over five years with an interest rate of 3.25%.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. Pending GASB Statements

At June 30, 2008, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplemental information. Statement No. 45 will be effective for periods beginning after December 15, 2007.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, identifies circumstances requiring a liability to be reported for pollution remediation. Statement No. 49 will be effective for periods beginning after December 15, 2007.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets, particularly in the areas of recognition, initial measurement, and amortization to reduce inconsistencies of reporting among state and local governments. Statement No. 51 will be effective for periods beginning after June 15, 2009.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measure, and disclosure of information regarding derivative instruments entered into by state and local governments. Statement No. 53 will be effective for periods beginning after June 15, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA AND COMPONENT UNIT

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government employees:						
June 30, 2005	\$ 29,337,817	\$ 35,696,899	\$ 6,359,082	82.19%	\$ 9,297,992	68.39%
June 30, 2006	31,475,180	34,821,242	3,346,062	90.39%	9,432,548	35.47%
June 30, 2007	35,809,408	40,669,059	4,859,651	88.05%	9,955,727	48.81%
B. Component Unit - School Board non-professional employees:						
June 30, 2005	\$ 3,093,205	\$ 3,597,080	\$ 503,875	85.99%	\$ 914,889	55.07%
June 30, 2006	3,167,031	3,473,258	306,227	91.18%	912,761	33.55%
June 30, 2007	3,510,664	3,760,191	249,527	93.36%	1,016,232	24.55%

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H

Page 1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 16,756,056	\$ 16,756,056	\$ 16,277,007	\$ (479,049)
Real and personal public service corporation property	349,000	349,000	327,404	(21,596)
Personal property	2,013,278	2,013,278	2,157,361	144,083
Delinquent	672,744	672,744	774,791	102,047
Penalties and interest	225,000	225,000	230,154	5,154
Total general property taxes	20,016,078	20,016,078	19,766,717	(249,361)
Other local taxes:				
Communication sales and use	295,000	295,000	829,769	534,769
Food and lodging	4,460,119	4,460,119	4,622,383	162,264
Consumer utility	1,430,000	1,430,000	968,532	(461,468)
Bank stock	165,000	165,000	153,262	(11,738)
Local option sales and use	7,673,701	7,673,701	7,247,183	(426,518)
Recordation	325,000	325,000	259,626	(65,374)
Franchise utility	100,000	100,000	-	(100,000)
Total local taxes	14,448,820	14,448,820	14,080,755	(368,065)
Permits, fees and licenses:				
Business and occupational licenses	2,832,809	2,832,809	2,801,524	(31,285)
Motor vehicle licenses	375,000	375,000	353,852	(21,148)
Zoning and construction permits	162,000	162,000	237,048	75,048
Other fees	40,650	40,650	54,264	13,614
Total permits, fees and licenses	3,410,459	3,410,459	3,446,688	36,229
Fines and forfeitures	373,000	373,000	566,042	193,042
Charges for services:				
Recreation use charges and fees	241,000	241,000	285,497	44,497
Administrative	1,023,147	1,023,147	977,509	(45,638)
Other	21,000	21,000	11,504	(9,496)
Total charges for services	1,285,147	1,285,147	1,274,510	(10,637)

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H
Page 2GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
Revenue from local sources:				
Use of money and property:				
Interest	\$ 220,000	\$ 220,000	\$ 304,605	\$ 84,605
Rental of property	359,000	359,000	404,973	45,973
Sale of commodities and property	5,000	5,000	4,201	(799)
Total use of money and property	584,000	584,000	713,779	129,779
Miscellaneous	15,100	31,508	362,336	330,828
Reimbursement from component unit	378,285	378,285	677,514	299,229
Total revenue from local sources	40,510,889	40,527,297	40,888,341	361,044
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	1,753,369	1,753,369	1,753,369	-
ABC profits and wine taxes	20,289	20,289	20,289	-
Rolling stock taxes	3,101	3,101	3,766	665
Total non-categorical aid	1,776,759	1,776,759	1,777,424	665
Categorical aid:				
Commissioner of Revenue	92,914	97,042	96,142	(900)
Treasurer	92,329	96,179	99,080	2,901
Circuit court	235,422	234,689	283,897	49,208
Sheriff	300,514	312,829	311,807	(1,022)
Commonwealth's attorney	469,360	467,011	478,112	11,101
Law enforcement	703,299	703,299	667,922	(35,377)
Street construction and maintenance	1,961,891	2,009,166	2,009,166	-
Other	442,595	568,338	582,096	13,758
Total categorical aid	4,298,324	4,488,553	4,528,222	39,669
Total revenue from the Commonwealth	6,075,083	6,265,312	6,305,646	40,334
Revenue from the federal government:				
Categorical aid	58,574	182,591	212,309	29,718
Total intergovernmental	6,133,657	6,447,903	6,517,955	70,052
Total revenues	46,644,546	46,975,200	47,406,296	431,096

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H
Page 3GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures:				
General government:				
City counsel	\$ 72,900	\$ 75,900	\$ 73,600	\$ (2,300)
Clerk of counsel	66,644	67,433	62,844	(4,589)
City manager	183,049	183,049	179,847	(3,202)
Human resources	102,635	125,899	122,459	(3,440)
City attorney	184,930	184,940	174,352	(10,588)
Real estate assessor	164,557	164,689	153,765	(10,924)
Commissioner of revenue	196,476	198,425	179,772	(18,653)
Treasurer	235,962	239,597	220,133	(19,464)
Finance	450,977	471,998	468,518	(3,480)
Information technologies	210,849	179,302	126,502	(52,800)
Auditing	122,675	135,675	133,494	(2,181)
Purchasing	173,811	188,118	79,742	(108,376)
Insurance and risk management	631,689	570,692	551,579	(19,113)
Employee benefits	4,243,168	4,268,437	4,087,411	(181,026)
Board of elections	25,724	25,919	25,218	(701)
Registrar	116,611	103,926	102,919	(1,007)
Total general government	7,182,657	7,183,999	6,742,155	(441,844)
Judicial administration:				
Circuit courts	347,498	422,240	402,000	(20,240)
General district court	49,845	67,260	72,759	5,499
Probation	7,550	7,562	8,005	443
Commonwealth's attorney	514,638	546,861	534,706	(12,155)
Sheriff	524,088	552,855	532,441	(20,414)
Incarceration	2,141,100	2,142,357	2,553,825	411,468
Community correction services	82,000	82,000	82,000	-
Community diversion services	65,700	65,700	65,208	(492)
Total judicial administration	3,732,419	3,886,835	4,250,944	364,109
Public safety:				
Bureau of police	3,322,051	3,397,417	3,202,243	(195,174)
Bureau of fire	2,660,556	2,797,242	2,761,898	(35,344)
Emergency preparedness	3,800	12,510	3,078	(9,432)
Communications	1,081,897	1,256,587	1,194,814	(61,773)
Total public safety	7,068,304	7,463,756	7,162,033	(301,723)

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H
Page 4GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Expenditures:				
Public works:				
Administration	\$ 142,200	\$ 142,971	\$ 149,133	\$ 6,162
Horticulture	106,261	106,305	91,388	(14,917)
Engineering division	567,425	598,907	435,304	(163,603)
Street maintenance	1,346,536	1,508,620	964,057	(544,563)
Building maintenance	599,902	619,812	512,666	(107,146)
Traffic engineering	226,712	234,543	191,307	(43,236)
Fleet maintenance	263,407	264,312	252,916	(11,396)
Total public works	3,252,443	3,475,470	2,596,771	(878,699)
Health and welfare:				
Health	150,750	150,750	148,753	(1,997)
Welfare	275,000	275,000	327,557	52,557
Comprehensive services	180,320	180,320	235,988	55,668
Total health and welfare	606,070	606,070	712,298	106,228
Parks, recreation and cultural:				
Parks and recreation	565,686	580,598	548,595	(32,003)
Parks and grounds	539,301	546,301	496,456	(49,845)
Agency on aging	206,093	225,760	184,980	(40,780)
Violet Bank Museum	94,680	97,610	67,779	(29,831)
Library	564,850	585,709	582,343	(3,366)
Recreation trips and classes	229,000	229,000	250,823	21,823
Total parks, recreation and cultural	2,199,610	2,264,978	2,130,976	(134,002)
Community development:				
Planning	218,577	223,868	219,543	(4,325)
Building inspections	189,708	193,281	182,994	(10,287)
Industrial development	125,000	150,000	135,504	(14,496)
Total community development	533,285	567,149	538,041	(29,108)
Education:				
Appropriation to component unit	18,142,897	18,142,897	18,143,261	364

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H
Page 5GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Expenditures:				
Grants:				
Office of Youth	\$ 122,342	\$ 135,222	\$ 136,513	\$ 1,291
Better Beginnings	5,000	5,000	4,101	(899)
Juvenile Crime	102,413	102,638	98,486	(4,152)
Victim Witness	60,211	60,713	59,164	(1,549)
CDBG	-	98,385	47,325	(51,060)
Safe Routes to School	-	25,000	25,000	-
Kids After School Program	-	77,822	35,721	(42,101)
Total grants	289,966	504,780	406,310	(98,470)
Nondepartmental:				
Contributions and subsidies	185,159	185,159	183,359	(1,800)
Contingencies and miscellaneous	302,998	174,799	284,617	109,818
Total nondepartmental	488,157	359,958	467,976	108,018
Debt service:				
Principal retirement	1,672,926	1,672,926	1,672,927	1
Interest and fiscal charges	1,250,812	1,195,812	1,162,817	(32,995)
Total debt service	2,923,738	2,868,738	2,835,744	(32,994)
Total expenditures	46,419,546	47,324,630	45,986,509	(1,338,121)
Excess of revenues over (under) expenditures	225,000	(349,430)	1,419,787	1,769,217
Other Financing Uses:				
Transfers out:				
Solid Waste Management	75,000	255,000	202,000	(53,000)
Capital Projects Fund	150,000	1,200,000	1,200,000	-
Total other financing uses	225,000	1,455,000	1,402,000	(53,000)
Net change in fund balance	-	(1,804,430)	17,787	1,822,217
Fund Balance, beginning	-	1,804,430	9,808,750	8,004,320
Fund Balance, ending	\$ -	\$ -	\$ 9,826,537	\$ 9,826,537

CITY OF COLONIAL HEIGHTS, VIRGINIA

**Exhibit H
Page 6**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008**

The City adheres to the following procedures in establishing the budgetary data reflected in the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

- 1) Proposal - at least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Adoption - Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the departmental level through passage of an appropriation ordinance by City Council.
- 3) The City Manager is authorized to transfer amounts within departments, with any interdepartmental transfers being approved by City Council. During the year, \$2,135,084 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of designated fund balance, and the appropriation of additional intergovernmental grants received during the year.
- 4) Legal Compliance - Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource.

SUPPLEMENTAL SCHEDULES

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS
AND UNOBLIGATED BALANCE
June 30, 2008**

Project Name	Revenues and Resources					Expenditures and Contract Commitments				
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance	
General Government										
Allocable to complete projects:										
Emergency shelter - power modification	\$ 95,088	\$ -	\$ 10,927	\$ -	\$ 106,015	\$ 106,015	\$ -	\$ -	\$ -	
Total	95,088	-	10,927	-	106,015	106,015	-	-	-	
Allocable to incomplete projects:										
Beautification committee/tourism	171,370	2,500	-	5,360	179,230	97,852	35,891	377	45,110	
Courts building needs assessment	590,000	-	-	-	590,000	133,775	4,967	391,313	59,945	
Library renovation	2,821,695	-	-	-	2,821,695	2,821,066	-	-	629	
Fire apparatus	-	-	141,585	64,341	205,926	-	69,470	136,456	-	
Boulevard redevelopment	285,000	75,000	-	-	360,000	181,303	71,567	-	107,130	
Total	3,868,065	77,500	141,585	69,701	4,156,851	3,233,996	181,895	528,146	212,814	
Total general government	3,963,153	77,500	152,512	69,701	4,262,866	3,340,011	181,895	528,146	212,814	
Recreational Facilities										
Allocable to incomplete projects:										
Facilities master plan	331,500	-	-	-	331,500	95,335	46,142	-	190,023	
Violet Bank Museum	63,759	-	-	-	63,759	58,970	-	-	4,789	
Appomattox River Greenway	-	54,900	-	100,000	154,900	-	36,583	18,317	100,000	
Vocational School Sport Center	-	400,000	103,198	-	503,198	-	6,000	1,500	495,698	
Senior citizen youth center	-	400,000	-	-	400,000	-	18,000	42,000	340,000	
Total	395,259	854,900	103,198	100,000	1,453,357	154,305	106,725	61,817	1,130,510	
Total recreational facilities	395,259	854,900	103,198	100,000	1,453,357	154,305	106,725	61,817	1,130,510	
Educational Facilities										
Allocable to complete projects:										
Asbestos abatement/renovations CHHS	1,050,000	-	(48,835)	-	1,001,165	1,001,165	-	-	-	
Total	1,050,000	-	(48,835)	-	1,001,165	1,001,165	-	-	-	
Allocable to incomplete projects:										
Transfer to school CIP program	-	7,675,000	-	-	7,675,000	-	5,220,894	-	2,454,106	
Total	-	7,675,000	-	-	7,675,000	-	5,220,894	-	2,454,106	
Total educational facilities	1,050,000	7,675,000	(48,835)	-	8,676,165	1,001,165	5,220,894	-	2,454,106	

Streets and Bridges

Allocable to complete projects:

Boulevard widening	453,798	-	(41,082)	-	412,716	412,716	-	-	-
Conduit Road drainage improvement	400,306	-	(750)	-	399,556	399,556	-	-	-
Boulevard beautification	260,000	-	(3,908)	-	256,092	256,092	-	-	-
Temple Avenue - I-95 ramp	560,000	-	3,000	-	563,000	563,000	-	-	-
Lynchburg Avenue reconstruction	333,497	-	(1,050)	-	332,447	332,447	-	-	-
Longhorn Drive drainage	187,719	-	-	-	187,719	187,719	-	-	-
Lafayette Avenue paving	90,000	-	(21,500)	-	68,500	68,500	-	-	-
Total	2,285,320	-	(65,290)	-	2,220,030	2,220,030	-	-	-

Allocable to incomplete projects:

Highway construction - local share	12,561	-	-	-	12,561	-	-	-	12,561
Stormwater drainage improvements	255,000	-	-	-	255,000	210,488	-	-	44,512
Bruce Avenue drainage	168,500	2,000,000	-	-	2,168,500	1,211,897	127,163	17,273	812,167
Boulevard widening	50,000	500,000	-	158,000	708,000	52,777	50,070	-	605,153
Access road - transfer station	100,000	-	-	-	100,000	18,293	28,415	4,552	48,740
Boulevard matching grant	150,000	-	-	-	150,000	-	-	-	150,000
Yacht basin storm sewer	170,000	-	-	-	170,000	14,235	-	-	155,765
Lexington storm sewer	100,000	-	-	-	100,000	33,172	-	-	66,828
Total	1,006,061	2,500,000	-	158,000	3,664,061	1,540,862	205,648	21,825	1,895,726
Total streets and bridges	3,291,381	2,500,000	(65,290)	158,000	5,884,091	3,760,892	205,648	21,825	1,895,726

Utility Improvements

Allocable to complete projects:

Utility system line testing	300,000	-	(6,743)	-	293,257	293,257	-	-	-
Total	300,000	-	(6,743)	-	293,257	293,257	-	-	-

Allocable to incomplete projects:

Waterline rehabilitation	763,291	-	6,743	-	770,034	722,052	-	-	47,982
Total	763,291	-	6,743	-	770,034	722,052	-	-	47,982
Total utility improvements	1,063,291	-	-	-	1,063,291	1,015,309	-	-	47,982

Total Capital Projects

Utility Improvements Related Projects

Non Project Related

Total projects - general government

	9,763,084	11,107,400	141,585	327,701	21,339,770	9,271,682	5,715,162	611,788	5,741,138
	(1,063,291)	-	-	-	(1,063,291)	(1,015,309)	-	-	(47,982)
	-	150,000	(141,585)	-	8,415	8,415	-	-	-
Total projects - general government	\$8,699,793	\$11,257,400	\$ -	\$327,701	\$20,284,894	\$8,264,788	\$5,715,162	\$611,788	\$5,693,156

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit J

SCHEDULE OF BONDS, LEASES AND OTHER LONG-TERM LIABILITIES

Page 1

June 30, 2008

		Effective	Interest	Date	Final	2008-09	Amount of Long-Term Liabilities		
		Interest	Dates	Issued	Maturity	Principal	Authorized	Issued	Outstanding
		Rate %			Date	Payment			
General Obligation Serial Bonds:									
General Improvement Series	1996	5.100%	06/1;12/1	10/01/96	12/01/08	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
General Improvement Series	1996	5.125	06/1;12/1	10/01/96	12/01/09	-	185,000	185,000	185,000
General Improvement Series	1996	5.250	06/1;12/1	10/01/96	12/01/10	-	195,000	195,000	195,000
General Improvement Series	1996	5.250	06/1;12/1	10/01/96	12/01/11	-	205,000	205,000	205,000
General Improvement Series	1998	3.850	06/1;12/1	10/01/98	12/01/08	290,000	290,000	290,000	290,000
General Improvement Series	1998	3.900	06/1;12/1	10/01/98	12/01/09	-	300,000	300,000	300,000
General Improvement Series	1998	3.950	06/1;12/1	10/01/98	12/01/10	-	320,000	320,000	320,000
General Improvement Series	1998	4.000	06/1;12/1	10/01/98	12/01/11	-	335,000	335,000	335,000
General Improvement Series	1998	4.050	06/1;12/1	10/01/98	12/01/12	-	350,000	350,000	350,000
General Improvement Series	1998	4.100	06/1;12/1	10/01/98	12/01/13	-	370,000	370,000	370,000
General Improvement Series	2000	5.125	06/1;12/1	02/01/00	12/01/08	370,000	370,000	370,000	370,000
General Improvement Series	2000	5.125	06/1;12/1	02/01/00	12/01/09	-	395,000	395,000	395,000
General Improvement Series	2000	5.150	06/1;12/1	02/01/00	12/01/10	-	415,000	415,000	415,000
General Improvement Series	2000	5.200	06/1;12/1	02/01/00	12/01/11	-	440,000	440,000	440,000
General Improvement Series	2000	5.250	06/1;12/1	02/01/00	12/01/12	-	465,000	465,000	465,000
General Improvement Series	2000	5.350	06/1;12/1	02/01/00	12/01/13	-	490,000	490,000	490,000
General Improvement Series	2000	5.400	06/1;12/1	02/01/00	12/01/14	-	520,000	520,000	520,000
General Improvement Series	2000	5.400	06/1;12/1	02/01/00	12/01/15	-	550,000	550,000	550,000
General Improvement Series	2002	4.000	06/1;12/1	10/01/02	12/01/14	395,000	395,000	395,000	395,000
General Improvement Series	2002	4.000	06/1;12/1	10/01/02	12/01/14	-	2,665,000	2,665,000	2,665,000
General Improvement Series	2002	4.150	06/1;12/1	10/01/02	12/01/15	-	510,000	510,000	510,000
General Improvement Series	2002	4.200	06/1;12/1	10/01/02	12/01/16	-	540,000	540,000	540,000
General Improvement Series	2002	4.300	06/1;12/1	10/01/02	12/01/17	-	565,000	565,000	565,000
General Improvement Series	2003	2.470	06/1;12/1	12/23/03	06/30/10	450,000	890,000	890,000	890,000
General Improvement Series	2004	3.000	06/1;12/1	10/15/04	06/30/19	375,000	5,430,000	5,430,000	5,430,000
General Improvement Series	2007	4.000	06/1;12/1	11/20/07	06/01/27	355,000	9,930,000	9,930,000	9,930,000
Total General Obligation Serial Bonds						2,410,000	27,295,000	27,295,000	27,295,000

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF BONDS, LEASES AND OTHER LONG-TERM LIABILITIES
June 30, 2008Exhibit J
Page 2

		Effective Interest Rate %	Interest Dates	Date Issued	Final Maturity Date	2008-09 Principal Payment	Amount of Long-Term Liabilities			
							Authorized	Issued	Retired	Outstanding
Notes/Lease Payable:										
Chesterfield Avenue Property	2005	5.020%	8/1	10/15/04	08/12/08	#####	\$ 3,970,300	\$ 3,970,300	\$ -	\$ 3,970,300
Equipment Purchase	2006	4.560	Quarterly	09/01/06	06/15/11	25,671	129,837	129,837	49,219	80,618
Total Notes/Lease Payable										<u>4,050,918</u>
Accrued Leave										1,900,586
Retirement Incentive Program	1995	8.000	6/1	07/01/95	06/30/24	130,292	1,453,849	1,453,849	929,622	524,227
										<u>2,424,813</u>
Total Long-Term Liabilities										<u>\$ 33,770,731</u>
Allocation of Long-Term										
Liabilities by Fund:										
General										\$ 29,988,676
School										1,348,481
Enterprise										<u>2,433,574</u>
Total Long-Term Liabilities										<u>\$ 33,770,731</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit K

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	School Operating Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 4,783,279	\$ -	\$ 4,783,279
Due from primary government	-	449,650	449,650
Due from other governments	1,501,716	-	1,501,716
Inventories	41,768	-	41,768
Other	3,052	-	3,052
Restricted cash	-	1,746,038	1,746,038
Total assets	\$ 6,329,815	\$ 2,195,688	\$ 8,525,503
LIABILITIES			
Accounts payable	\$ 53,546	\$ 674,476	\$ 728,022
Accrued liabilities	2,855,731	-	2,855,731
Due to primary government	294,413	-	294,413
Deferred revenue	22,901	-	22,901
Total liabilities	3,226,591	674,476	3,901,067
FUND BALANCES			
Reserved for:			
Inventories	41,768	-	41,768
Capital outlay	-	1,521,212	1,521,212
Unreserved:			
Designated for encumbrances	524,693	-	524,693
Designated for subsequent years' expenditures	1,802,178	-	1,802,178
Undesignated	734,585	-	734,585
Total fund balances	3,103,224	1,521,212	4,624,436
Total liabilities and fund balances	\$ 6,329,815	\$ 2,195,688	\$ 8,525,503
Total fund balances			\$ 4,624,436
Amounts reported for the School Board's governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			
Governmental capital assets		\$ 27,694,511	
Less: accumulated depreciation		(12,960,067)	
Net capital assets			14,734,444
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Compensated absences		(824,254)	
Retirement incentive program		(524,227)	
			(1,348,481)
Net assets of the School Board's governmental activities			\$ 18,010,399

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit L

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	School Operating Fund	School Capital Projects Fund	Total Governmental Funds
Revenues:			
Charges for services	\$ 557,939	\$ -	\$ 557,939
Use of money and property	97,462	-	97,462
Miscellaneous	267,880	-	267,880
Appropriation from primary government	18,143,261	5,187,534	23,330,795
Intergovernmental	14,434,911	-	14,434,911
Total revenues	33,501,453	5,187,534	38,688,987
Expenditures:			
Education:			
Administrative	1,516,817	-	1,516,817
Instruction	24,892,596	-	24,892,596
School plant	2,957,572	-	2,957,572
Transportation	650,411	-	650,411
Food service	963,406	-	963,406
Purchase of textbooks	99,584	-	99,584
Property, plant and materials	1,579,179	-	1,579,179
Reimbursement to primary government	677,514	-	677,514
Capital outlay	-	3,666,322	3,666,322
Total expenditures	33,337,079	3,666,322	37,003,401
Net change in fund balances	164,374	1,521,212	1,685,586
Fund Balances, beginning	2,938,850	-	2,938,850
Fund Balances, ending	<u>\$ 3,103,224</u>	<u>\$ 1,521,212</u>	<u>\$ 4,624,436</u>
Net change in fund balances			\$ 1,685,586
Reconciliation of amounts reported for governmental activities in the Statement of Activities:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were more than depreciation in the current period.			
Expenditures for capital assets		\$ 4,295,018	
Less depreciation expense		(659,629)	
Excess of capital outlays over depreciation			3,635,389
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations).			(11,003)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			
Change in compensated absences		(73,997)	
Change in retirement incentive program		274,248	
			200,251
Change in net assets of governmental activities			<u>\$ 5,510,223</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit M

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 628,084	\$ 557,939	\$ 557,939	\$ -
Use of money and property:				
Interest on investments	71,500	97,422	97,462	40
Miscellaneous	178,303	267,880	267,880	-
Appropriation from primary government	18,143,261	18,143,261	18,143,261	-
Total revenue from local sources	19,021,148	19,066,502	19,066,542	40
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	6,647,812	6,675,767	6,675,767	-
State sales tax	2,744,860	2,631,287	2,635,208	3,921
Other	3,732,940	3,725,244	3,778,273	53,029
	13,125,612	13,032,298	13,089,248	56,950
Revenue from the federal government:				
Categorical aid:				
Title I Grant	286,867	308,511	308,511	-
Title VI B Grant	535,200	572,697	572,697	-
Other	421,636	464,455	464,455	-
	1,243,703	1,345,663	1,345,663	-
Total intergovernmental	14,369,315	14,377,961	14,434,911	56,950
Total revenues	33,390,463	33,444,463	33,501,453	56,990
Expenditures:				
Education:				
Administration	1,566,742	1,537,082	1,516,817	(20,265)
Instruction	25,447,298	24,915,717	24,892,596	(23,121)
School plant	2,988,655	2,979,430	2,957,572	(21,858)
Transportation	669,788	649,037	650,411	1,374
Food service	882,841	910,793	963,406	52,613
Purchase of textbooks	198,325	120,869	99,584	(21,285)
Property, plant and materials	1,854,761	1,933,244	1,579,179	(354,065)
Contingencies	841,530	1,275,000	-	(1,275,000)
Reimbursement to primary government	522,789	705,557	677,514	(28,043)
Total expenditures	34,972,729	35,026,729	33,337,079	(1,689,650)
Net change in fund balance	(1,582,266)	(1,582,266)	164,374	1,746,640
Fund Balance, beginning	1,582,266	1,582,266	2,938,850	1,356,584
Fund Balance, ending	\$ -	\$ -	\$ 3,103,224	\$ 3,103,224

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit N

**STATEMENT OF ASSETS AND LIABILITIES - SCHOOL BOARD
AGENCY FUND**

June 30, 2008

	School Activity Fund
<hr/>	
ASSETS	
Cash and investments	<u>\$ 311,259</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 311,259</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit O

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL BOARD

AGENCY FUND

Year Ended June 30, 2008

Department	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>SCHOOL ACTIVITY FUND</u>				
ASSETS				
Cash and investments	\$ 269,155	\$ 722,148	\$ 680,044	\$ 311,259
LIABILITIES				
Accounts payable and accrued liabilities	\$ 269,155	\$ 722,148	\$ 680,044	\$ 311,259

STATISTICAL SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATISTICAL SECTION CONTENTS

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, the property tax, as well as other revenue sources.	5 - 10
Debt Capacity These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	11 - 12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	13 - 14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	15 - 16

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 1

NET ASSETS BY COMPONENT

Last Six Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 20,640,833	\$ 22,362,069	\$ 16,361,860	\$ 21,868,903	\$ 22,517,214	\$ 22,623,711
Restricted	4,127,313	2,307,079	3,750,571	-	-	-
Unrestricted	12,065,070	13,198,259	8,096,607	7,078,261	9,554,692	6,006,386
Total governmental activities net assets	\$ 36,833,216	\$ 37,867,407	\$ 28,209,038	\$ 28,947,164	\$ 32,071,906	\$ 28,630,097
Business-type activities:						
Invested in capital assets, net of related debt	\$ 6,079,996	\$ 9,320,759	\$ 9,422,984	\$ 8,966,789	\$ 9,177,810	\$ 9,162,549
Unrestricted	3,126,722	164,326	261,242	992,359	810,543	641,715
Total business-type activities net assets	\$ 9,206,718	\$ 9,485,085	\$ 9,684,226	\$ 9,959,148	\$ 9,988,353	\$ 9,804,264
Primary government:						
Invested in capital assets, net of related debt	\$ 26,720,829	\$ 31,682,828	\$ 25,784,844	\$ 30,835,692	\$ 31,695,024	\$ 31,786,260
Restricted	4,127,313	2,307,079	3,750,571	-	-	-
Unrestricted	15,191,792	13,362,585	8,357,849	8,070,620	10,365,235	6,648,101
Total primary government net assets	\$ 46,039,934	\$ 47,352,492	\$ 37,893,264	\$ 38,906,312	\$ 42,060,259	\$ 38,434,361
Component Unit						
Invested in capital assets, net of related debt	\$ 8,080,974	\$ 8,219,461	\$ 10,907,129	\$ 10,762,746	\$ 11,110,058	\$ 14,734,444
Restricted	1,035,051	1,285,539	1,389,137	-	-	-
Unrestricted	(1,835,312)	(1,809,782)	(1,997,775)	(399,777)	1,390,118	3,275,955
Total Component Unit	\$ 7,280,713	\$ 7,695,218	\$ 10,298,491	\$ 10,362,969	\$ 12,500,176	\$ 18,010,399
Total Reporting Entity						
Invested in capital assets, net of related debt	\$ 34,801,803	\$ 39,902,289	\$ 36,691,973	\$ 38,942,429	\$ 40,503,216	\$ 37,078,426
Restricted	5,162,364	3,592,618	5,139,708	-	-	-
Unrestricted	13,356,480	11,552,803	6,360,074	10,326,852	14,057,219	19,366,334
Total Reporting Entity	\$ 53,320,647	\$ 55,047,710	\$ 48,191,755	\$ 49,269,281	\$ 54,560,435	\$ 56,444,760

Notes:

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

(2) Component unit net asset components are included in this table due to public schools being a significant portion of the City. In Virginia, the City issues debt to finance the construction of school facilities, since the School Board does not have borrowing or taxing authority.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 2
Page 1CHANGES IN NET ASSETS
Last Six Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government	\$ 4,574,346	\$ 4,852,767	\$ 7,321,447	\$ 6,389,754	\$ 6,631,282	\$ 7,617,133
Judicial	3,381,683	3,514,009	3,755,313	3,618,242	3,758,743	4,401,401
Public safety	5,349,513	7,140,873	5,972,139	6,611,272	6,603,707	7,446,556
Public works	6,351,670	4,162,560	4,791,051	3,705,174	3,488,051	3,650,407
Health and welfare	518,825	491,837	571,565	727,289	905,641	716,096
Parks, recreation and cultural	1,830,344	1,778,567	600,181	2,049,025	1,755,411	2,350,085
Community development	255,761	349,923	301,989	367,863	575,426	580,574
Education	13,966,901	14,372,467	15,451,926	15,886,549	16,738,367	23,330,795
Interest	843,306	773,455	790,506	972,251	911,350	1,136,041
Grants	276,981	281,149	296,790	-	-	-
Nondepartmental	277,755	469,497	355,625	-	-	-
Total governmental activities	37,627,085	38,187,104	40,208,532	40,327,419	41,367,978	51,229,088
Business-type activities:						
Water and sewer	3,627,421	3,757,669	3,708,566	3,999,152	3,962,952	-
Water	-	-	-	-	-	1,610,037
Sewer	-	-	-	-	-	2,772,254
Solid waste	-	-	-	1,196,750	1,292,339	1,263,794
Total business-type activities	3,627,421	3,757,669	3,708,566	5,195,902	5,255,291	5,646,085
Total government	41,254,506	41,944,773	43,917,098	45,523,321	46,623,269	56,875,173
Program revenue:						
Governmental activities:						
Charges for services:						
Refuse collection	555,321	560,130	585,869	-	-	-
Parks and recreation	162,554	132,109	208,188	290,542	234,477	285,497
Other activities	653,784	1,110,040	1,035,840	1,074,769	5,068,830	5,001,743
Operating grants and contributions	4,753,488	4,643,676	5,801,543	4,587,798	4,732,453	5,472,945
Capital grants and contributions	200,000	-	720,042	190,254	-	-
Total governmental activities program revenue	6,325,147	6,445,955	8,351,482	6,143,363	10,035,760	10,760,185
Charges for services:						
Water and sewer	3,681,958	4,021,033	3,877,189	3,751,822	3,842,186	-
Water	-	-	-	-	-	1,663,191
Sewer	-	-	-	-	-	2,523,737
Solid waste	-	-	-	816,533	1,042,343	1,061,851
Total business-type activities program revenues	3,681,958	4,021,033	3,877,189	4,568,355	4,884,529	5,248,779
Total government program revenues	10,007,105	10,466,988	12,228,671	10,711,718	14,920,289	16,008,964
Net (expense) revenue:						
Governmental activities	(31,301,938)	(31,741,149)	(31,857,050)	(34,184,056)	(31,332,218)	(40,468,903)
Business-type activities	54,537	263,364	168,623	(627,547)	(370,762)	(397,306)
Total government net expense	\$ (31,247,401)	\$ (31,477,785)	\$ (31,688,427)	\$ (34,811,603)	\$ (31,702,980)	\$ (40,866,209)

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 2

Page 2

CHANGES IN NET ASSETS

Last Six Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,					
	2003	2004	2005	2006	2007	2008
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
General property taxes	\$ 13,517,774	\$ 12,559,770	\$ 12,933,385	\$ 16,437,184	\$ 18,259,813	\$ 20,292,300
Local sales and use	5,890,153	6,567,401	6,664,763	7,027,037	7,350,271	7,247,183
Food and lodging	3,099,756	3,416,835	3,682,747	4,241,906	4,335,522	4,622,383
Other	3,315,429	4,594,719	4,980,434	2,017,427	1,983,102	2,211,189
Intergovernmental, non-categorical aid	4,048,833	5,479,791	4,728,775	4,884,469	1,868,699	1,777,424
Use of money and property	114,649	125,024	124,939	461,199	692,864	713,779
Miscellaneous	3,078	31,800	3,785	355,460	334,807	364,836
Transfers	-	-	-	(502,500)	(368,118)	(202,000)
Total governmental activities	29,989,672	32,775,340	33,118,828	34,922,182	34,456,960	37,027,094
Business-type activities:						
Use of money and property	12,089	9,655	26,155	48,233	31,849	11,217
Miscellaneous	5,023	5,348	4,363	351,736	-	-
Transfers	-	-	-	502,500	368,118	202,000
Total business-type activities	17,112	15,003	30,518	902,469	399,967	213,217
Total primary government	30,006,784	32,790,343	33,149,346	35,824,651	34,856,927	37,240,311
Changes in net assets:						
Governmental activities	(1,312,266)	1,034,191	1,261,778	738,126	3,124,742	(3,441,809)
Business-type activities	71,649	278,367	199,141	274,922	29,205	(184,089)
Total primary government	\$ (1,240,617)	\$ 1,312,558	\$ 1,460,919	\$ 1,013,048	\$ 3,153,947	\$ (3,625,898)

CITY OF COLONIAL HEIGHTS, VIRGINIA

CHANGES IN NET ASSETS
Last Six Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

Table 2
Page 3

	Fiscal Year June 30,					
	2003	2004	2005	2006	2007	2008
Component Unit						
Expenses:						
Education	\$ 23,741,514	\$ 24,756,429	\$ 27,386,942	\$ 28,907,895	\$ 29,636,769	\$ 33,178,764
Program Revenues						
Charges for services	546,926	541,121	559,653	551,513	563,298	557,939
Operating grants and contributions	9,546,452	10,115,226	11,880,916	12,258,200	14,065,197	14,434,911
Total program revenues	10,093,378	10,656,347	12,440,569	12,809,713	14,628,495	14,992,850
Net expense	(13,648,136)	(14,100,082)	(14,946,373)	(16,098,182)	(15,008,274)	(18,185,914)
General Revenues and Other Changes in Net Assets						
Contribution from primary government	13,865,339	14,292,025	14,484,413	15,886,549	16,738,367	23,330,795
Use of money and property	16,543	7,948	22,084	70,338	283,982	97,462
Miscellaneous	178,593	214,614	218,320	205,773	123,132	267,880
Total general revenues	14,060,475	14,514,587	14,724,817	16,162,660	17,145,481	23,696,137
Total component unit change in net assets	\$ 412,339	\$ 414,505	\$ (221,556)	\$ 64,478	\$ 2,137,207	\$ 5,510,223

Notes:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.
- (2) Component unit change in net assets is included in this schedule due to School Board being a significant portion of the City.
- (3) In fiscal year 2006, the activities involved in trash collection were transferred from the General Fund to the Solid Waste Fund.
- (4) In fiscal year 2008, the Water and Sewer Fund was separated into two funds.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 614,192	\$ 502,682	\$ 1,239,337	\$ 904,785	\$ 934,635	\$ 868,769	\$ 907,105	\$ 42,867	\$ 50,977	\$ 54,779
Unreserved:										
Designated	445,312	627,021	684,749	641,702	678,431	289,099	613,629	1,386,363	1,251,658	720,761
Undesignated	3,938,624	3,310,424	3,425,767	4,133,116	5,083,503	6,508,185	6,979,994	7,098,136	8,506,115	9,050,997
Total general fund	\$ 4,998,128	\$ 4,440,127	\$ 5,349,853	\$ 5,679,603	\$ 6,696,569	\$ 7,666,053	\$ 8,500,728	\$ 8,527,366	\$ 9,808,750	\$ 9,826,537
Other Governmental Funds										
Reserved	\$ 3,034,367	\$ 1,150,237	\$ 1,571,347	\$ 1,844,780	\$ 1,623,941	\$ 1,149,211	\$ 2,229,837	\$ -	\$ -	\$ -
Unreserved:										
Designated:										
Capital Projects Fund	-	4,639,045	858,785	-	890,307	-	544,626	844,134	610,283	612,818
Special Revenue Fund	-	-	2,240	58,222	-	-	-	-	-	-
Undesignated:										
Capital Projects Fund	68,758	-	20,900	(2,595,874)	-	(1,202,086)	-	477,883	(331,293)	5,208,410
Special Revenue Fund	14,448	41,840	31,050	-	-	-	-	-	-	-
Total other governmental funds	3,117,573	5,831,122	2,484,322	(692,872)	2,514,248	(52,875)	2,774,463	1,322,017	278,990	5,821,228
Total governmental funds	\$ 8,115,701	\$ 10,271,249	\$ 7,834,175	\$ 4,986,731	\$ 9,210,817	\$ 7,613,178	\$ 11,275,191	\$ 9,849,383	\$ 10,087,740	\$ 15,647,765

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 22,941,559	\$ 23,390,152	\$ 25,109,333	\$ 26,328,081	\$ 25,595,706	\$ 26,919,287	\$ 28,261,329	\$ 30,234,997	\$ 32,274,076	\$ 19,766,717
Other local taxes	-	-	-	-	-	-	-	-	-	14,080,755
Fines and forfeitures	261,712	249,886	249,349	262,745	397,597	409,557	376,808	371,758	490,709	566,042
Charges for services	863,270	857,036	877,352	879,578	1,378,187	1,802,279	1,829,897	1,365,311	1,511,128	1,274,510
Permits, fees and licenses	2,311,201	2,466,046	2,561,365	2,507,888	2,670,789	2,875,358	3,132,472	3,027,272	3,301,470	3,446,688
Use of money and property	332,569	441,428	438,261	203,188	185,782	137,520	139,710	461,199	692,864	713,779
Intergovernmental	3,128,302	3,591,230	3,625,437	4,205,252	5,375,715	6,549,877	6,116,070	6,244,696	6,601,152	6,572,855
Reimbursement from component unit	-	-	-	-	-	-	-	-	-	677,514
Miscellaneous	82,694	270,457	291,498	477,048	443,094	391,150	1,451,991	355,460	334,807	364,836
Total revenues	29,921,307	31,266,235	33,152,595	34,863,780	36,046,870	39,085,028	41,308,277	42,060,693	45,206,206	47,463,696
Expenditures										
General government	4,530,926	4,540,499	4,126,216	4,414,060	4,567,021	4,858,581	5,665,459	5,843,080	6,239,843	6,742,155
Judicial administration	2,352,042	2,471,429	2,756,064	2,958,322	3,375,299	3,485,152	3,747,335	3,436,278	3,721,203	4,250,944
Public safety	3,674,681	4,026,783	4,193,274	4,745,055	5,291,608	6,482,889	5,846,292	6,043,497	6,332,340	7,162,033
Public works	2,598,809	2,746,422	3,210,728	3,361,541	3,461,989	3,466,254	3,859,187	2,790,479	3,011,234	2,596,771
Health and welfare	378,287	323,230	542,959	401,637	529,610	495,984	567,767	687,192	729,275	712,298
Parks, recreation and cultural	1,412,948	1,545,028	1,630,995	1,815,459	1,758,692	1,740,889	1,823,671	1,957,122	2,066,166	2,130,976
Community development	222,200	216,486	211,608	228,045	252,158	253,888	298,240	326,325	436,395	538,041
Education	11,069,646	11,674,137	12,273,233	12,851,599	13,458,676	13,810,518	14,554,047	15,886,549	16,738,367	23,330,795
Grants	310,721	315,810	337,568	394,596	277,377	281,149	292,285	353,295	482,590	406,310
Nondepartmental	170,715	505,595	251,258	758,047	274,717	361,514	355,625	286,130	283,190	467,976
Debt service:										
Principal retirement	1,689,045	1,812,612	1,898,066	1,682,034	1,324,012	1,665,094	1,823,295	2,325,414	1,678,558	1,672,927
Interest and fiscal charges	746,406	788,100	812,062	782,127	829,641	778,842	837,357	786,285	904,782	1,162,817
Bond issuance costs	-	-	-	-	48,614	3,000	3,000	-	-	-
Capital outlays	1,536,837	4,019,557	3,345,638	3,365,702	2,357,980	2,998,913	3,627,702	6,232,656	1,975,789	527,628
Total expenditures	30,693,263	34,985,688	35,589,669	37,758,224	37,807,394	40,682,667	43,301,262	46,954,302	44,599,732	51,701,671
Revenues over (under) expenditures	(771,956)	(3,719,453)	(2,437,074)	(2,894,444)	(1,760,524)	(1,597,639)	(1,992,985)	(4,893,609)	606,474	(4,237,975)
Other Financing Sources (Uses)										
Issuance of debt	3,103,000	5,875,000	-	-	5,425,000	-	5,655,000	3,970,300	-	10,000,000
Capital leases	18,000	-	-	-	-	-	-	-	-	-
Transfers in	188,658	874,381	80,408	211,222	8,000	431,788	80,000	766,150	908,500	1,200,000
Transfers out	(188,658)	(874,380)	(80,408)	(164,222)	(8,000)	(431,788)	(80,000)	(1,268,650)	(1,276,618)	(1,402,000)
Total other financing sources (uses), net	3,121,000	5,875,001	-	47,000	5,425,000	-	5,655,000	3,467,800	(368,118)	9,798,000
Net change in fund balances	\$ 2,349,044	\$ 2,155,548	\$ (2,437,074)	\$ (2,847,444)	\$ 3,664,476	\$ (1,597,639)	\$ 3,662,015	\$ (1,425,809)	\$ 238,356	\$ 5,560,025

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Page 2

Last Six Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year June 30,					
	2003	2004	2005	2006	2007	2008
Debt Service as a Percentage of Non-Capital Expenditures						
Primary Government						
Total Debt Service	\$ 2,153,653	\$ 2,443,936	\$ 2,660,652	\$ 3,111,699	\$ 2,583,340	\$ 2,835,744
Total Expenditures	37,807,394	40,682,669	43,301,262	46,954,302	44,599,732	51,701,671
Capital Outlay - Primary Government Only	(1,216,776)	(3,099,812)	(3,226,624)	(6,703,133)	(4,353,934)	(1,518,495)
Non-Capital Expenditures	\$ 36,590,618	\$ 37,582,857	\$ 40,074,638	\$ 40,251,169	\$ 40,245,798	\$ 50,183,176
Debt Service as a Percentage of Non-Capital Expenditures - Primary Government Only	5.89%	6.50%	6.64%	7.73%	6.42%	5.65%
Component Unit - Public Schools						
School Expenditures, excluding City Contribution	\$ 10,290,762	\$ 10,717,984	\$ 12,513,816	\$ 13,021,346	\$ 14,468,036	\$ 18,860,140
Capital Outlay, Public Schools	(1,711,402)	(683,313)	(349,214)	(509,001)	(1,017,186)	(4,295,018)
Non-Capital Expenditures	8,579,360	10,034,671	12,164,602	12,512,345	13,450,850	14,565,122
Total reporting entity						
Total debt service	2,153,653	2,443,936	2,660,652	3,111,699	2,583,340	2,835,744
Total non-capital expenditures	\$ 45,169,978	\$ 47,617,528	\$ 52,239,240	\$ 52,763,514	\$ 53,696,648	\$ 64,748,298
Debt Service as a Percentage of Non-Capital Expenditures - Total Reporting Entity	4.77%	5.13%	5.09%	5.90%	4.81%	4.38%

The City implemented GASB 34 in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time. Debt service as a percentage of non-capital expenditures is calculated only from fiscal year 2003 for that reason.

In Virginia, the City issues debt to finance school projects because public schools do not have taxing or borrowing authority. Therefore, the debt service payments related to school projects are presented as debt service of the component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the Virginia school debt requirement.

Prior to the implementation of GASB 34, the City's contribution to public schools was reported as a transfer out. Implementation of GASB 34 required that the contribution to public schools be reported as education expenditures. For comparability, fiscal year 1999 through fiscal year 2002 have been restated to reflect contribution to public schools as education expenditures.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 5

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Calendar Years**

Year	Real Property			Public Service(2)	Public Safety	Total
	Residential Property(1)	Multi-Family Property	Commercial Property			
1999	\$ 526,348,180	\$ 30,481,000	\$284,955,600	\$ 28,363,415	\$ -	\$ 870,148,195
2000	559,964,500	31,008,100	307,983,800	29,317,184	282,000	928,555,584
2001	567,063,500	31,040,300	319,052,900	31,622,949	5,580,300	954,359,949
2002	625,789,300	34,254,700	340,626,600	32,338,602	6,760,500	1,039,769,702
2003	683,159,900	38,005,200	346,457,300	32,250,270	3,457,900	1,103,330,570
2004	681,053,100	42,963,900	384,550,700	31,003,999	3,457,900	1,143,029,599
2005	693,044,400	42,963,900	399,365,900	30,383,492	3,457,900	1,169,215,592
2006	814,763,800	85,367,800	445,687,100	28,182,168	-	1,374,000,868
2007	829,706,600	85,303,900	462,662,600	28,857,670	-	1,406,530,770
2008	1,025,744,200	97,651,400	530,801,900	26,781,992	-	1,680,979,492

Notes:

(1) Assessed at 100% of fair market value, which is estimated actual value.

(2) Based on valuations established by the State Corporation Commission.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 6

DIRECT TAX RATES

Last Ten Calendar Years

(Rate per \$1,000 Assessed Value)

Year	Real Property	Public Service	Public Safety
1999	\$ 1.20	\$ 1.20	\$ -
2000	1.20	1.20	-
2001	1.20	1.20	0.20
2002	1.20	1.20	0.24
2003	1.20	1.20	0.24
2004	1.20	1.20	0.24
2005	1.20	1.20	0.24
2006	1.18	1.18	0.24
2007	1.18	1.18	0.24
2008	1.10	1.15	0.24

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 7

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago
(Unaudited)

Taxpayer	Fiscal Year					
	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall, LLC	\$ 72,463,027	1	4.31%	\$ 50,972,511	1	5.86%
Roslyn Farms Corporation	41,364,954	2	2.46%	20,583,900	3	2.37%
Wal-Mart Properties, Inc.	25,221,208	3	1.50%	22,137,815	2	2.54%
Roslyn Farms Associates LP	24,886,754	4	1.48%	18,387,072	4	2.11%
Home Depot, USA	12,364,177	5	0.74%	-	-	0.00%
Colonial Square, Inc.	13,538,200	6	0.81%	-	-	0.00%
Faison-Colonial Retail Assoc., Etc.	12,334,985	7	0.73%	11,104,320	6	1.28%
Southpark Hotel LLC/Hilton Garden	11,590,072	8	0.69%	-	-	0.00%
Dunlop House	11,169,900	9	0.66%	-	-	0.00%
Virginia Electric & Power Co.	9,714,372	10	0.58%	9,429,257	7	1.08%
Verizon - Virginia Inc.	-	-	-	13,313,992	5	1.53%
J C Penney Prop., Inc.	-	-	-	7,378,946	8	0.85%
Dayton Hudson Corp.	-	-	-	7,131,103	9	0.82%
Roslyn Converters	-	-	-	6,448,574	10	0.74%
Total	\$ 234,647,649		13.96%	\$ 166,887,490		19.18%

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 8

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Calendar Years
(Unaudited)**

Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as Percent of Current Levy
1998	\$ 13,092,672	\$ 12,870,063	98.30%	\$ 222,605	\$ 13,092,668	100.00%
1999	13,222,091	12,999,483	98.32%	222,604	13,222,087	100.00%
2000	14,835,009	14,562,337	98.16%	272,668	14,835,005	100.00%
2001	15,098,012	14,836,049	98.26%	261,959	15,098,008	100.00%
2002	15,954,376	15,721,019	98.54%	233,353	15,954,372	100.00%
2003	16,419,584	16,249,275	98.96%	169,763	16,419,038	100.00%
2004	17,300,956	17,138,769	99.06%	154,502	17,293,271	99.96%
2005	17,928,594	17,764,522	99.08%	69,703	17,834,225	99.47%
2006	20,214,991	20,031,441	99.09%	68,096	20,099,537	99.43%
2007	21,303,700	21,063,380	98.87%	99,695	21,163,075	99.34%

Notes:

(1) Based on tax year beginning January 1 and ending December 31.

(2) Does not include penalties and interest.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 9

TAXABLE SALES BY CATEGORY
Last Ten Calendar Years
(in thousands of dollars)
(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apparel	\$ 31,441	\$ 40,022	\$ 44,326	\$ 42,799	\$ 44,509	\$ 43,858	\$ 49,014	\$ 40,413	\$ 85,969	\$ 56,839
Automotive	18,086	17,494	17,823	22,239	24,061	24,829	24,735	23,187	24,227	13,563
Food	75,331	80,735	88,463	86,202	87,714	91,310	92,098	85,495	49,300	107,331
Furniture, Home Furnishings and Equipment	19,775	20,045	19,117	42,726	45,764	51,901	52,337	31,649	57,665	55,986
General Merchandise	246,155	227,605	250,949	248,094	254,681	264,190	269,381	227,277	234,775	295,155
Machinery, Equipment and Supplies	3,773	4,257	5,706	6,684	6,696	6,877	8,608	6,228	42,413	46,438
Miscellaneous	90,338	91,727	101,356	93,904	100,299	108,466	123,636	162,351	176,341	114,937
Total	\$ 484,899	\$ 481,885	\$ 527,740	\$ 542,648	\$ 563,724	\$ 591,431	\$ 619,809	\$ 576,600	\$ 670,690	\$ 690,249
City Direct Local Option Sales Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Source: Virginia Department of Taxation.

Notes:

- (1) Retail sales information is not available on a fiscal year basis.
- (2) Retail sales information from the Virginia Department of Taxation starting on August 1, 2005 was changed to NAICS codes and classifications may differ from prior reporting.
- (3) There is no overlapping government taxation.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 10

TAXABLE SALES BY CATEGORY

Calendar Years 2007 and 1998

(taxable sales in thousands of dollars)

(Unaudited)

	Calendar Year 2007				Calendar Year 1998			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	72	12.3	\$ 56,839	8.2	56	9.5	\$ 31,441	6.5
Automotive	14	2.4	13,563	2.0	32	5.5	18,086	3.7
Food	95	16.2	107,331	15.5	99	16.9	75,331	15.5
Furniture, Home Furnishings and Equipment	28	4.8	55,986	8.1	43	7.3	19,775	4.1
General Merchandise	67	11.4	295,155	42.8	59	10.1	246,155	50.8
Machinery, Equipment and Supplies	23	3.9	46,438	6.7	23	3.9	3,773	0.8
Miscellaneous	287	49.0	114,937	16.7	275	46.8	90,338	18.6
Total	586	100.0	\$ 690,249	100	587	100	\$ 484,899	100
City Direct Local Option Sales Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Source: Virginia Department of Taxation.

Note:

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. Fiscal year information is not available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 11

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Note Payable	Capital Leases	General Obligation Bonds	Capital Leases			
1999	\$ 13,618,337	\$ 50,000	\$ 95,214	\$ 3,196,663	\$ -	\$ 16,960,214	0.96%	\$ 1,013
2000	17,793,180	-	30,642	2,941,820	-	20,765,642	1.13%	1,229
2001	15,924,321	-	1,609	2,570,679	-	18,496,609	0.97%	1,095
2002	14,243,858	-	-	2,241,142	-	16,485,000	0.84%	975
2003	18,344,846	-	-	3,065,154	-	21,410,000	1.05%	1,239
2004	16,762,877	-	-	2,767,123	-	19,530,000	0.93%	1,118
2005	20,594,582	150,000	-	3,265,418	-	24,010,000	1.10%	1,367
2006	18,361,424	4,028,046	-	2,853,576	-	25,243,046	1.08%	1,428
2007	16,740,612	3,970,300	-	2,579,388	105,159	23,395,459	*	1,324
2008	24,997,685	3,970,300	-	2,297,315	80,618	31,345,918	*	1,761

General bonded debt outstanding:

	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
1999	\$ 16,815,000	1.93%	\$ 1,005
2000	20,735,000	2.23%	1,227
2001	18,495,000	1.94%	1,095
2002	16,485,000	1.59%	975
2003	21,410,000	1.94%	1,239
2004	19,530,000	1.71%	1,118
2005	23,860,000	2.04%	1,358
2006	21,215,000	1.54%	1,200
2007	19,320,000	1.37%	1,093
2008	27,295,000	1.62%	1,534

* Unavailable

Note:

(1) Population data can be found in Table 13

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 12

**LEGAL DEBT MARGIN
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Value of Property	\$ 870,148,195	\$ 928,555,584	\$954,359,949	\$1,039,769,702	\$ 1,103,330,570	\$ 1,143,029,599	\$1,169,215,592	\$ 1,374,000,868	\$ 1,406,530,770	\$ 1,680,979,492
Debt Limit, 10% of assessed value (statutory limitation)	87,014,820	92,855,558	95,435,995	103,976,970	110,333,057	114,302,960	116,921,559	137,400,087	140,653,077	168,097,949
Amounts of Debt Applicable to Limit General Obligation Bonds	16,865,000	20,735,000	18,495,000	16,485,000	21,410,000	19,530,000	23,860,000	21,250,000	19,320,000	27,295,000
Available Legal Debt Margin	70,149,820	72,120,558	76,940,995	87,491,970	88,923,057	94,772,960	93,061,559	116,150,087	121,333,077	140,802,949
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	19.38%	22.33%	19.38%	15.85%	19.40%	17.09%	20.41%	15.47%	13.74%	16.24%
Bonded Debt Per Capita	1,005	1,227	1,095	975	1,239	1,118	1,358	1,200	1,093	1,534

Notes:

- (1) Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.
- (2) Population data can be found in Table 13.
- (3) Assessed value of property can be found in Table 5.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
1999	16,735	\$ 1,766,389	\$ 23,416	2,724	2.40%
2000	16,901	1,840,515	24,501	2,718	2.20%
2001	16,897	1,906,280	25,504	2,701	3.20%
2002	16,900	1,972,246	26,328	2,747	4.30%
2003	17,286	2,037,000	27,155	2,702	4.50%
2004	17,465	2,097,000	28,711	2,754	4.00%
2005	17,567	2,190,000	29,141	2,813	4.00%
2006	17,676	2,328,236	30,652	2,848	3.30%
2007	17,676	*	*	2,856	3.30%
2008	17,796	*	*	2,847	4.80%

Sources:

- 1 Weldon Cooper Center for Public Service.
- 2 Bureau of Economic Analysis - combined area of City of Colonial Heights, City of Petersburg and Dinwiddie County.
- 3 City of Colonial Heights Public Schools.
- 4 Virginia Employment Commission.
- 5 US Census
- * Unavailable

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 14

**PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago
(Unaudited)**

Employer	Fiscal Year 2008		Fiscal Year 1999	
	Employees	Rank	Employees	Rank
Wal-Mart	500 to 999	1	500 to 999	1
Colonial Heights School Board	500 to 999	2	250 to 499	2
City of Colonial Heights	250 to 499	3	250 to 499	3
Colonial Heights Operation	100 to 249	4		
J. C. Penney Corporation, Inc.	100 to 249	5	100 to 249	4
Ukrop's Super Markets	100 to 249	6	100 to 249	9
Sears Roebuck & Company	100 to 249	7	100 to 249	7
The Home Depot	100 to 249	8		
Red Lobster & Olive Garden	100 to 249	9		
Target Division of Dayton Huds Corp.	100 to 249	10	100 to 249	5
May Department Stores Company			100 to 249	6
Herbert L. Seal Etal			100 to 249	8
Specialty Care Services Inc.			100 to 249	10

Source:

1 Virginia Employment Commission

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 15

FULL-TIME EMPLOYEES
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Management services:										
Clerk of Council	1	1	1	1	1	1	1	1	1	1
City manager	2	2	2	2	2	2	2	2	2	2
Human resources	-	-	-	1	1	1	1	1	1	1
City attorney	2	2	2	2	2	2	2	2	2	2
Total	5	5	5	6	6	6	6	6	6	6
Tax collections:										
Assessor	2	2	2	2	2	2	2	2	2	2
Commissioner of revenue	4	4	4	4	4	4	4	4	4	4
Treasurer	5	5	5	5	5	5	5	5	5	5
Total	11	11	11	11	11	11	11	11	11	11
Finance:										
Administration	5	5	5	5	5	6	6	6	6	6
Auditing	1	1	1	1	1	1	1	1	1	1
Purchasing	2	2	2	2	2	2	2	2	2	2
Total	8	8	8	8	8	9	9	9	9	9
Information technology	2	2	2	2	2	2	2	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial Administration:										
Circuit court	4	4	5	5	5	5	5	5	5	5
Commonwealth's attorney	5	5	5	5	6	6	6	6	8	9
Sheriff	8	8	9	8	8	8	8	8	8	8
Total	17	17	19	18	19	19	19	19	21	22
Public Safety:										
Bureau of police	51	51	51	51	52	52	53	54	54	54
Bureau of fire	22	28	31	31	41	41	41	44	44	44
Communications	9	12	13	13	15	15	15	17	17	17
Total	82	91	95	95	108	108	109	115	115	115

Public Works:										
Administration	2	2	2	2	2	2	2	2	2	2
Engineering	4	5	5	5	6	6	6	6	6	6
Street maintenance	14	14	14	14	13	13	13	13	15	15
Traffic engineering	2	2	2	2	2	2	2	2	2	2
Building maintenance	1	1	1	1	1	1	1	1	1	1
Solid waste management	1	1	1	1	1	1	1	1	1	-
Fleet maintenance	4	4	4	4	4	4	4	4	4	4
Total	28	29	29	29	29	29	29	29	31	30
Parks, Recreation and Cultural:										
Parks and recreation	11	11	11	11	11	11	11	11	11	11
Agency on aging	4	4	5	5	5	5	5	5	5	5
Horticulture	-	-	-	-	-	-	-	1	1	1
Museum	1	1	1	1	1	1	1	1	1	1
Library	7	7	7	8	8	7	7	7	7	7
Total	23	23	24	25	25	24	24	25	25	25
Community Development:										
Planning	1	1	1	2	2	2	2	2	2	3
Inspections	4	4	4	3	3	3	3	3	3	3
Total	5	5	5	5	5	5	5	5	5	6
Grants:										
Office on Youth	2	2	2	2	2	2	2	2	2	2
Juvenile crime	2	2	2	2	2	2	2	2	2	2
Victim witness	1	1	1	1	1	1	1	1	1	1
Total	5	5	5	5	5	5	5	5	5	5
Education:										
Teachers and administrators	242	237	237	241	253	273	271	282	282	291
Other employees	215	247	248	265	270	282	307	287	304	285
Total	457	484	485	506	523	555	578	569	586	576
Total Full-Time Employees	645	682	690	712	743	775	799	797	818	809

Source:

1 City Adopted Budgets

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 16

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government:										
Registered voters	10,016	10,878	10,890	11,089	11,089	11,001	11,569	11,512	11,433	12,179
Structures:										
Detached	5,797	5,797	5,797	5,855	5,929	5,966	6,057	6,057	6,140	6,153
Duplex	298	298	298	177	180	180	183	183	180	180
Multi-family	962	962	962	1,141	1,141	1,141	1,201	1,201	1,211	1,211
Parcel with elderly/disabled:										
Exemptions	231	235	226	261	280	286	284	293	325	316
Judicial Administration:										
Average daily jail population	81	96	110	118	131	147	139	118	124	155
Public Safety:										
Volunteers	35	30	30	30	33	42	38	41	55	66
Education:										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buildings	1	1	1	1	1	1	1	1	1	1
Library:										
Volumes in collection	60,000	60,000	60,000	61,000	61,000	61,000	61,000	63,641	64,736	63,245
Community Development:										
Building permits issued - calendar	531	435	272	284	277	273	241	272	242	N/A
Value	13,546,785	17,226,981	11,608,618	13,879,595	19,047,068	14,652,954	17,242,824	18,932,440	21,972,520	N/A

Sources:

- 1 Voters - Registrar
- 2 Structures - City Assessor
- 3 Elderly exemptions - Commissioner of the Revenue
- 4 Average jail population - Riverside Regional Jail
- 5 Volunteers - Department of Public Safety
- 6 Education - Colonial Heights School Administration
- 7 Library - Librarian
- 8 Building permits - City Planner

COMPLIANCE SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
<u>Pass-through payments:</u>		
<u>Department of Agriculture and Consumer Services:</u>		
Commodity Distribution	10.555	\$ 52,613
<u>Department of Education:</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	47,288
National School Lunch Program	10.555	206,392
		<u>253,680</u>
Total Department of Agriculture		<u>306,293</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct payment:</u>		
<u>Office of Community Planning and Development:</u>		
Community Development Block Grants	14.218	<u>45,774</u>
Total Department of Housing and Urban Development		<u>45,774</u>
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:		
<u>Pass-through payments:</u>		
<u>Department of Criminal Justice:</u>		
Byrne Formula Grant Program	16.579	18,577
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,831
Crime Victim Assistance	16.575	<u>53,574</u>
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance		<u>75,982</u>
DEPARTMENT OF TRANSPORTATION:		
<u>Pass-through payments:</u>		
<u>National Highway Traffic Safety Administration:</u>		
Highway Safety Funds	20.601	13,968
Safe Routes to Schools	20.205	25,000
State and Community Highway Safety	20.600	<u>6,508</u>
Total Department of Transportation		<u>45,476</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:		
<u>Direct payments:</u>		
<u>Office of Elementary and Secondary Education:</u>		
Impact Aid	84.041	\$ 17,703
<u>Pass-through payments:</u>		
<u>Office of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	308,511
State Grants for Innovative Programs	84.298	2,947
English Language Acquisition Grants	84.365	45,116
Improving Teacher Quality State Grants	84.367	89,995
		<u>446,569</u>
<u>Office of Special Education and Rehabilitative Services:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	572,697
Special Education - Preschool Grants	84.173	14,817
		<u>587,514</u>
<u>Office of Assistant Secretary for Vocational and Adult Education:</u>		
Vocational Education Basic Grants to States	84.048	31,889
<u>Office of Safe and Drug-Free Schools:</u>		
State Grants	84.186	8,308
Total Department of Education		<u>1,091,983</u>
DEPARTMENT OF HOMELAND SECURITY:		
<u>Pass-through payments:</u>		
<u>Department of Emergency Services:</u>		
Homeland Security	97.067	40,895
Assistance to Firefighters Grants	97.044	4,183
Total Department of Homeland Security		<u>45,078</u>
Total Federal Awards Expended		<u>\$ 1,610,586</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Colonial Heights, Virginia (City) and the component unit, City of Colonial Heights School Board, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the City were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the City: Child Nutrition Cluster and Special Education Cluster.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Non-Cash Assistance

The City participated in a federal program in which non-cash benefits are provided through the state to eligible program participants.

Food Distribution Program (CFDA Number 10.555) – The value of food commodities was calculated using the U. S. Department of Agriculture's Food and Nutrition Service commodity price lists. The accompanying schedule includes commodity distributions of \$52,613 for CFDA Number 10.555.

Note 3. Other

The City's Food Stamp and Health and Human Service federal programs are administered by the County of Chesterfield, Virginia (County). Since the County receives funds directly from the awarding agencies on behalf of the City and the County administers the programs entirely, the Food Stamp Program and Health and Human Services federal programs are not included in the City's Schedule of Expenditures of Federal Awards. These expenditures are reflected in the County's Schedule of Expenditures of Federal Awards.



www.pbgh.com

Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vincie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones

Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kennison
Michael A. Garber
Donald W. Knotts
Daniel J. Bender
Lawrence W. Schwartz
Helaine S. Weissman

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

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

We have audited the basic financial statements of the City of Colonial Heights, Virginia (City), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. 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

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential, will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 08-01 and 08-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed tests of compliance with the program specific requirements as set forth in the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the Virginia Department of Education. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 08-03.

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the City in a separate letter dated December 15, 2008.

This report is intended solely for the information of the City Council, management, the Auditor of Public Accounts, 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.

PBGH, LLP

Harrisonburg, Virginia
December 15, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Colonial Heights, Virginia, (City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia that are applicable to each of its major Federal programs for the year ended June 30, 2008. The City's major Federal programs are identified in the Summary of Independent Auditors' 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's management. Our responsibility is to express an opinion on the City'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information and use of City Council, management, the Auditor of Public Accounts, 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.

PBGH, LLP

Harrisonburg, Virginia
December 15, 2008

CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified	<u> √ </u> Yes	<u> </u> No
Significant deficiency identified that is not considered to be a material weakness	<u> </u> Yes	<u> √ </u> None Reported
Noncompliance material to financial statements noted	<u> √ </u> Yes	<u> </u> No

Federal awards:

Internal control over major programs:

Material weaknesses identified	<u> </u> Yes	<u> √ </u> No
Significant deficiency identified that is not considered to be a material weakness	<u> </u> Yes	<u> √ </u> No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u> Yes	<u> √ </u> No
--	-------------------	-----------------

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

Special Education Cluster:

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> √ </u> No
--	-------------------	-----------------

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Material Weakness in Internal Control

08-01: Material Weakness in Internal Control over the Financial Reporting of Property Taxes

Requirement: Complete and accurate supporting schedules and timely reconciliations must agree to the general ledger for accurate financial reporting. Accounting tasks such as monthly/quarterly reconciliations, cross-checks and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements.

Condition: In the process of performing our audit, we were provided with schedules attempting to reconcile the City's largest revenue source, property taxes. Upon receiving these schedules, it was noted that there were material differences included in the reconciliation that were categorized as unidentified differences, in both Real Estate and Personal Property taxes. Amounts are made available in the form of quarterly reports from the collecting office and are entered into the reconciliation, and an attempt is made to agree these amounts to the general ledger. However, at this point, if there are differences between reported collections and the general ledger, they are not investigated further. As noted, the differences were material amounts, and although some of the differences offset each other, classification errors are apparent.

Effect: We observed that the differences noted above are considered satisfactory by the City, and there is little accountability for attempting to identify these annual differences. We consider the lack of attempt in identifying these potentially material differences in the City's largest revenue source to be a material weakness.

Recommendation: We strongly suggest that the collecting department and the reporting department work in concert to reconcile taxes timelier on a quarterly basis, in order to make an effort to identify these differences and correct them, prior to providing a reconciliation for audit. This may involve making adjustments to accounts more frequently during the year, and performing more frequent reviews of the general ledger throughout the year. Inevitably, the accountability for the reconciliation of property taxes to the general ledger should be more clearly defined, and material differences need not be considered satisfactory.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (Continued)

A. Material Weaknesses in Internal Control (Continued)

08-02: Material Weakness in the Audit Preparedness of the School Board

Requirement: Complete and accurate supporting schedules and reconciliations should be available in a timely manner for closing and reconciling year-end amounts.

Condition: In performing our audit, we were informed during the scheduled fieldwork that schedules and reconciliations for accruals and capital assets were not available. These year-end analyses were not prepared in accordance with the time schedule previously agreed upon.

Effect: The condition above caused delays in the completion of the year-end Comprehensive Annual Financial Report. We consider the lack of timely supporting schedules to be a material weakness.

Recommendation: We strongly suggest that the School Board develop a formal year-end closing schedule that indicates specific reconciliations and analyses, along with corresponding time requirements. Strict adherence to this schedule should be required, which will allow for the year-end close and reconciliation to be a much less time-consuming and arduous process.

B. Compliance Finding

08-03: Submission of Unclaimed Property of the School Board

During the course of our audit, it was noted that the School Board did not submit the funds or other property presumed abandoned (i.e. unclaimed property), as required by the Uniform Disposition of Unclaimed Property Act (Chapter 11.1 {Section 55-210.1 et.seq.} of Title 55 of the *Code of Virginia*) as of year-end. This report must be filed with the Treasurer of the Commonwealth annually, and per our review, this process was not completed.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 1

**CORRECTIVE ACTION PLAN
Year Ended June 30, 2008**

Identifying Number:

08-01

Finding:

Complete and accurate supporting schedules and timely reconciliations for property taxes that agree to the general ledger were not provided.

Corrective Actions Taken or Planned:

The City has instituted direct posting of tax revenues to the general ledger system, which should help in the sited reconciliation comment. Management understands the need for timely reconciliation of tax revenues and will monitor this procedure.

Identifying Number:

08-02

Finding:

Schedules and reconciliations for accruals and capital assets were not available at the commencement of fieldwork as previously agreed upon.

Corrective Actions Taken or Planned:

The trial balance and related schedules were complete at the time of scheduled fieldwork except for the capital asset schedules. However, the schedules were not provided to the auditors until one week later because management wanted to perform a final review of the work product to ensure accuracy and proper classification between accounts payable and encumbrances. This final review was delayed due to unanticipated issues requiring management's attention. School Board management recognizes the auditors' need for timely supporting schedules and will adhere to a formal year-end closing schedule that delineates specific schedules/analysis along with a corresponding timeline.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 2

**CORRECTIVE ACTION PLAN
Year Ended June 30, 2008**

Identifying Number:

08-03

Finding:

The School Board did not submit the funds or other property presumed abandoned (i.e. unclaimed property), as required by the Uniform Disposition of Unclaimed Property Act (Chapter 11.1 {Section 55-210.1 et. seq.} of Title 55 of the *Code of Virginia*) as of year-end.

Corrective Actions Taken or Planned:

The School Board management will establish procedures to perform this function in the future.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

The prior year audit findings, as reported in the prior year audit's Schedule of Findings and Questioned Costs have been fully corrected as noted below.

**FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED
IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

A. Significant Deficiencies in Internal Control

07-01 Approval of Journal Entries

Corrective action taken

07-02 Material Weakness in Internal Control over Financial Reporting

Corrective action taken

B. Compliance Finding

07-03 Virginia Department of Transportation (VDOT) Expenditures

Corrective action taken

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

07-04 Preparation of Schedule of Expenditures of Federal Awards

The City has put a process in place to gather the information necessary to provide a SEFA at year-end.