

CITY OF COLONIAL HEIGHTS VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT ENDING JUNE 30, 2009

CITY OF COLONIAL HEIGHTS, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2008 THROUGH JUNE 30, 2009



Prepared by the Department of Financial Administration

Richard A. Anzolut, Jr.
City Manager

William E. Johnson
Director of Finance

CITY OF COLONIAL HEIGHTS, VIRGINIA

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INTRODUCTORY SECTION



CITY OF COLONIAL HEIGHTS

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

December 10, 2009

The Honorable Mayor and 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, 2009, 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.

PBGH, Certified Public Accountants, audited the City's basic financial statements. This independent audit's yearly goal is to provide reasonable assurance that the basic financial statements are free of material misstatement. The Independent auditors concluded, based upon the audit, that there /was reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditors' report is presented as the first component of the Financial Section.

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

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

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

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, I85 and I64, thus giving the City access to the East Coast's major markets.

The City is less than 20 miles south of Virginia's state capital, Richmond, and 120 miles south of the nation's capital, Washington, D.C. The City of Petersburg lies just across the Appomattox River which bisects the two cities, with Colonial Heights on the north bank. Richmond's 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 17,693 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 9,467 and an unemployment rate of 8.7%. 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 seekers. The City currently has seen an additional hotel completed with a second hotel nearing completion. The area continues to expand with a current and additional planned expansion 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 on 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 basic current services, but reduced operating expenditures by an average of 5% and reduced the replacement of Capital items. 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.

The City's Fund Balance policy of an undesignated fund balance of 12% of the City's General Fund Balance had been exceeded in the past years to provide a rainy day fund in case of economic downturns. One percent of this excess was utilized in the fiscal year 2010 budget preparation.

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, 2009.

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

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 \$170,268,252, but has currently utilized 16.95% of its debt obligatory 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, 2009, totaled \$28,855,000, of which \$1,999,892 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 Investors
Service
A1

Standard
& Poor's
AA-

Fitch Investors
Service, Inc
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, 2008. 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 29 consecutive years (fiscal years ended 1980 through 2008). 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, 2008

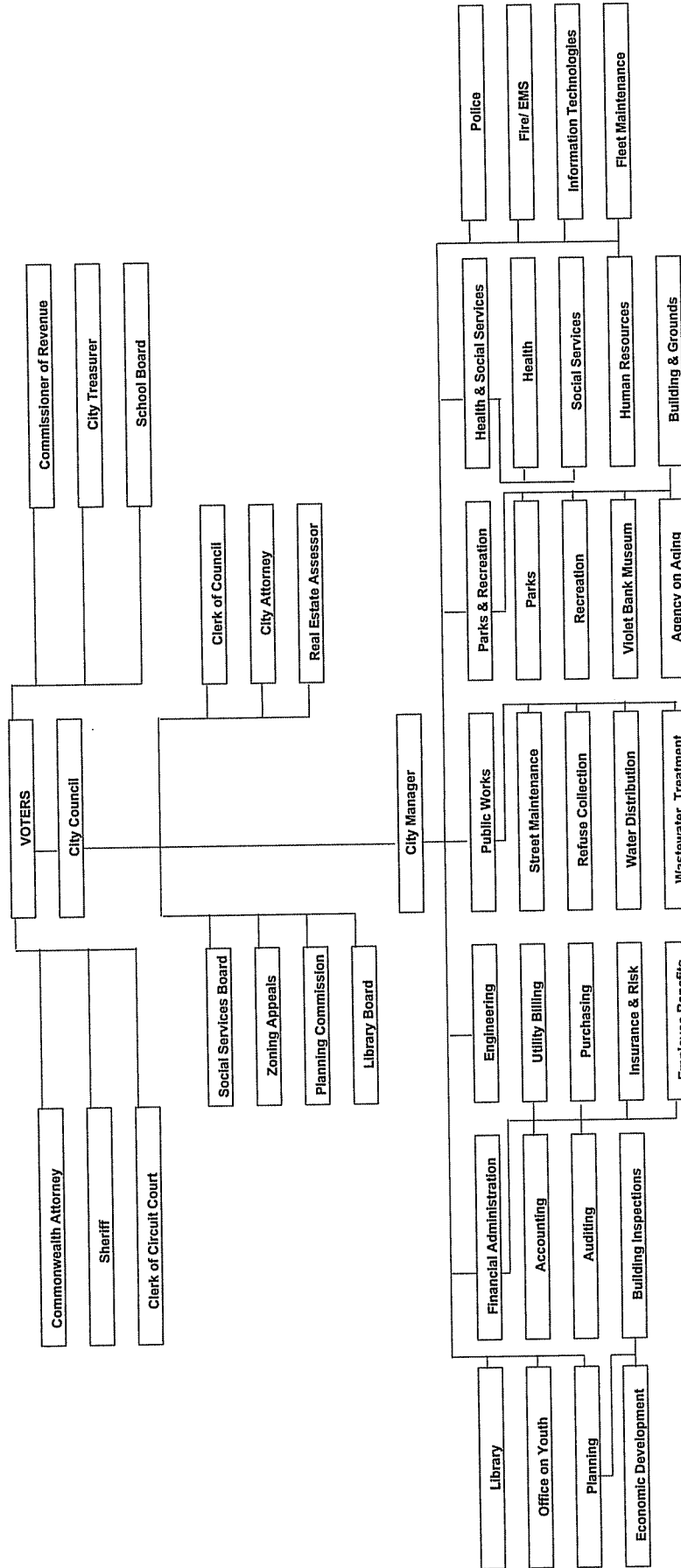
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART



CITY OF COLONIAL HEIGHTS, VIRGINIA

Directory of Principal Officials
June 30, 2009

City Council

C. Scott Davis
Mayor

Betsy G. Luck
Vice Mayor

Kenneth B. Frenier

W. Joe Green, Jr.

Diane H. Yates

Milton E. Freeland, Jr.

John T. Wood

Other Officials

Richard A. Anzolut, Jr.

Hugh P. Fisher, III

Kimberly P. Rollinson

William E. Johnson

Jeffrey W. Faries

William E. Henley

Sean E. Gleason

Bruce N. Hansen

Dr. Joseph O. Cox

City Manager

City Attorney

City Clerk

Director of Finance

Chief of Police

Director of Public Works

Director of Recreation and Parks

Library Director

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 aggregate remaining fund information of the City of Colonial Heights, Virginia (City), as of and for the year ended June 30, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, 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 10, 2009 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 19) and the required supplementary information (pages 57 to 63) 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 information and schedules, 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. 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 10, 2009

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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, 2009. 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 \$37,696,479 at June 30, 2009. The City's total net assets, excluding those of its component unit, on the government-wide basis, totaled \$37,696,479 at June 30, 2009. Of this amount, \$29,595,712 is invested in capital assets, net of related debt, which results in a reported shortfall of \$687,815 to meet ongoing obligations. The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset, however in Virginia the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This can result in an inequitable distribution of capital assets and corresponding debt presentation in Virginia. See the footnote presentation for further clarification. Of this amount, (\$687,815) may be used to meet ongoing obligations to citizens and creditors, and \$38,384,294 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 \$38,084,619, which totaled \$957,187 greater than the general revenues of \$37,127,432.

At June 30, 2009, the City's governmental funds balance sheet reported fund balances of \$12,307,558. Of this amount, \$12,262,473 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 22 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 23 and 25.

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

The following table presents a condensed comparison of net assets:

Summary Statement of Net Assets
June 30, 2009 and 2008
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2009	2008	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 25.9	\$ 28.8	\$ 1.1	\$ 1.1	\$ 27.0	\$ 29.9	\$ 7.7	\$ 8.3
Capital Assets, net	42.8	42.1	11.6	11.5	54.4	53.6	17.6	14.7
Total Assets	68.7	70.9	12.7	12.6	81.4	83.5	25.3	23.0
Other Liabilities	15.7	18.9	0.8	0.7	16.5	19.6	4.7	3.8
Non-current Liabilities	25.3	23.4	1.9	2.1	27.2	25.5	0.2	1.2
Total Liabilities	41.0	42.3	2.7	2.8	43.7	45.1	4.9	5.0
Net Assets								
Invested in Capital Assets, net of related debt	29.0	29.3	9.3	9.2	38.3	38.5	18.5	14.7
Restricted								
Unrestricted	(1.3)	(0.7)	0.7	0.6	(0.6)	(0.1)	1.9	3.3
Total Net Assets	\$ 27.7	\$ 28.6	\$ 10.0	\$ 9.8	\$ 37.7	\$ 38.4	\$ 20.4	\$ 18.0

The City's combined net assets decreased from \$38.4 million to \$37.7 million. Net assets of the governmental activities decreased by \$0.9 million or 3.1%. As noted under Financial Highlights, governmental activities unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City, reflect a deficit of \$688,000 due to reporting of School Assets and corresponding bonded debt. 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
Years Ended June 30, 2009 and 2008
(In Millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit</u>	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues:								
Program revenues:								
Charges for services	\$ 5.5	\$ 5.3	\$ 5.7	\$ 5.2	\$ 11.2	\$ 10.5	\$ 0.5	\$ 0.5
Operating grants and contributions	5.5	5.5	-	-	5.5	5.5	15.8	14.4
Capital grants and contributions	0.1	-	-	-	0.1	-	-	-
General revenues:								
Property taxes	21.1	20.3	-	-	21.1	20.3	-	-
Other local taxes	13.9	14.1	-	-	13.9	14.1	-	-
Payment from other governments	-	-	-	-	-	-	20.2	23.3
Intergovernmental, non-categorical aid	1.9	1.8	-	-	1.9	1.8	-	-
Use of money and property	0.2	0.7	-	-	0.2	0.7	-	0.1
Miscellaneous	0.5	0.3	-	-	0.5	0.3	0.3	0.3
Total revenues	48.7	48.0	5.7	5.2	54.4	53.2	36.8	38.6
Expenses:								
General government	8.1	7.6	-	-	8.1	7.6	-	-
Judicial administration	4.4	4.4	-	-	4.4	4.4	-	-
Public safety	8.0	7.6	-	-	8.0	7.5	-	-
Public works	3.7	3.7	-	-	3.7	3.7	-	-
Health and welfare	0.6	0.7	-	-	0.6	0.7	-	-
Parks, recreation and cultural	2.4	2.4	-	-	2.4	2.4	-	-
Community development	0.6	0.6	-	-	0.6	0.6	-	-
Education	20.2	23.3	-	-	20.2	23.3	34.4	33.1
Interest	1.2	1.1	-	-	1.2	1.1	-	-
Water, sewer and solid waste	-	-	5.9	5.6	5.9	5.6	-	-
Total expenses	49.2	51.2	5.9	5.6	55.1	56.8	34.4	33.1
Change in Net Assets Before Transfers	(0.5)	(3.2)	(.2)	(0.4)	(0.7)	(3.6)	2.4	5.5
Transfers	(0.4)	(0.2)	0.4	0.2	-	-	-	-
Change in Net Assets	(0.9)	(3.4)	0.2	(0.2)	(0.7)	(3.6)	2.4	5.5
Net Assets, beginning	28.6	32.0	9.8	10.0	38.4	42.0	18.0	12.5
Net Assets, ending	\$ 27.7	\$ 28.6	\$ 10.0	\$ 9.8	\$ 37.7	\$ 38.4	\$ 20.4	\$ 18.0

The property tax classification, which comprised approximately 43.3% 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 \$17.9 million. The assessed value of real property in the City increased 1.2% for the calendar year due to new construction.

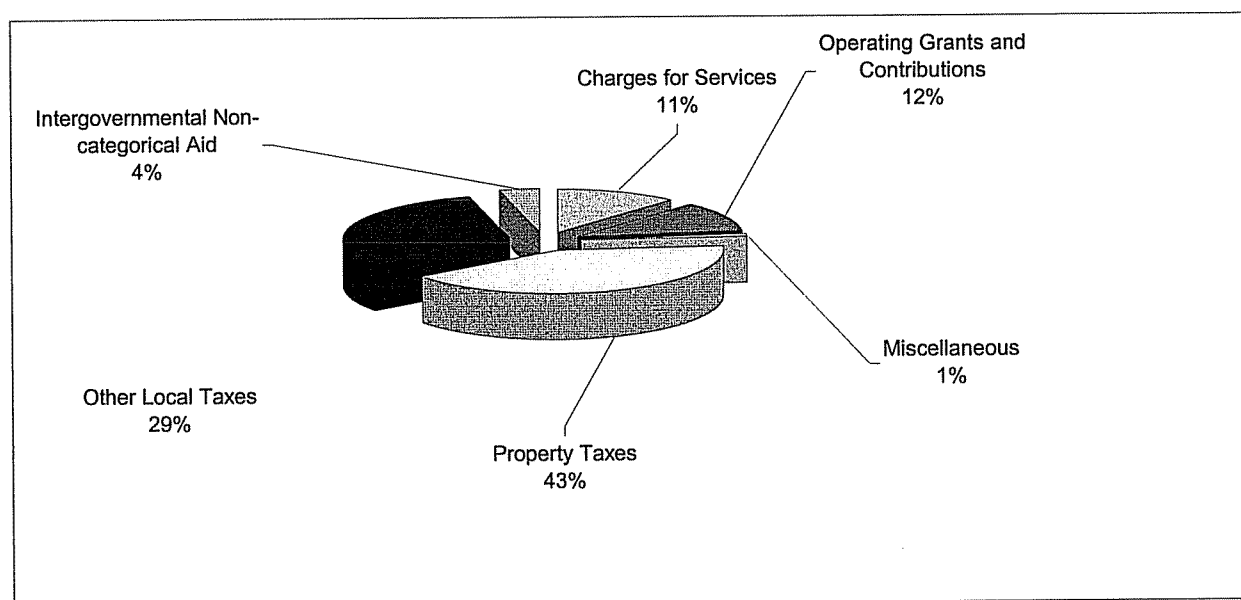
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 65% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, totaled \$4.2 million for fiscal years 2009 and 2008. The net assessed value of taxable personal property decreased \$5 million or 4.1% from 2008 to 2009 after an increase of \$0.9 million from 2007 to 2008. Increased property tax collections reflect increased collection procedures and changes in calculation of the PPTRA percentage applied.

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 28.5% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 11.3% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees. EMS fees remained neutral and under projected revenues by \$159,000 due to changes in insurance coverage percentages of transported patients.

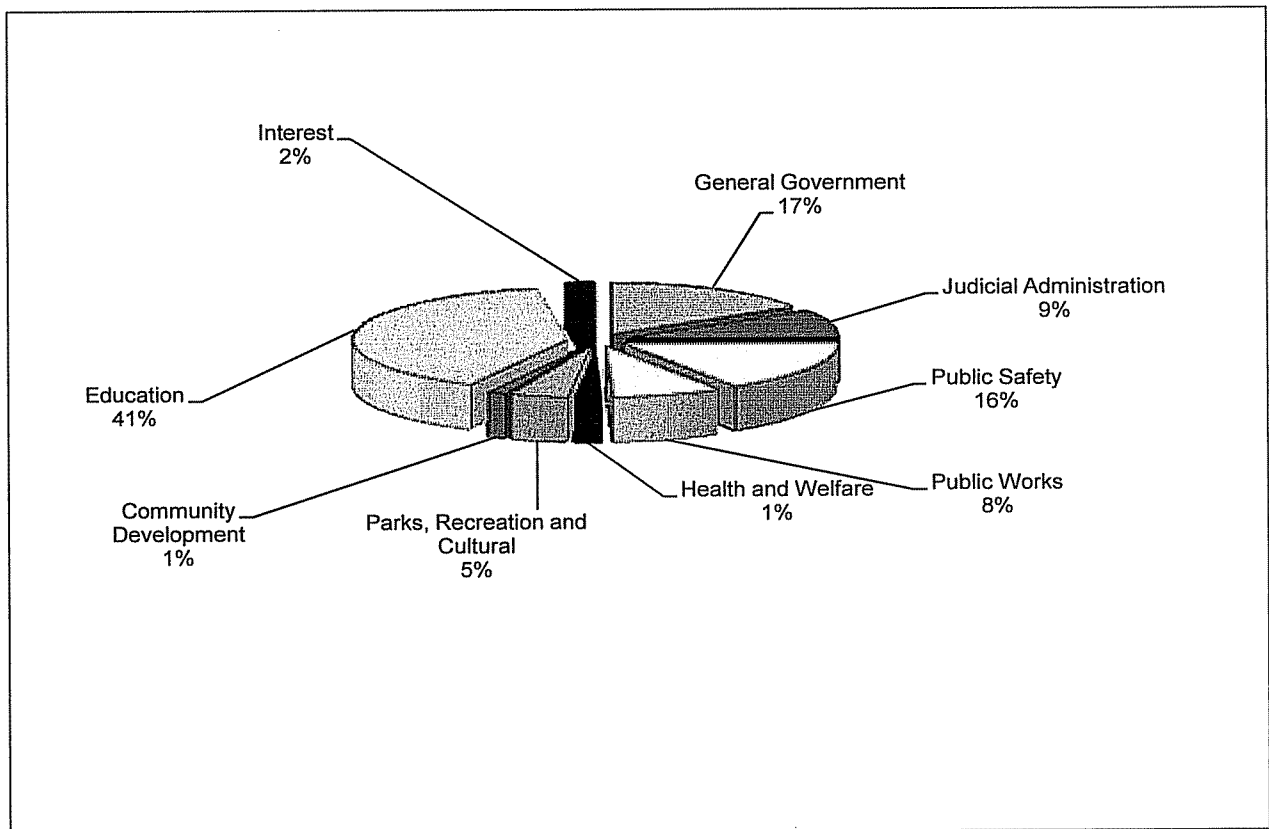
Revenue generated for governmental activities is presented below by category:



Public safety expenses comprised approximately 16.3% 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 41.1% of governmental activities. Funding, established by the revenue sharing agreement, of \$18.8 million was provided to the City of Colonial Heights School Board to support School operations. This reflects a reduction of \$395,000 from the budgeted estimated \$19.2 million due to lower revenues collected by revenue sharing agreement formula revenues.

Public Works and Health and Welfare expenses comprised approximately 7.5% and 1.2% respectfully, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. 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 decrease over last year.

Expenses of the governmental activities are shown by functional area:



The net assets of business-type activities increased approximately \$219,000 during 2009.

The current rate structure was increased by 10% and 15% for the Water and Sewer Funds, respectively, for fiscal year 2010. No major changes in operations were experienced. The City established and funded a new Stormwater Management Fund 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, 2009, the governmental funds reflect a total fund balance of \$12,307,558. Approximately \$12.3 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 \$8,639,265, while the total fund balance was \$8,684,350. 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 16.2% of the total General Fund expenditures and other financing uses, while total fund balance represents 16.3% of that same amount.

The fund balance of the General Fund decreased by \$1,142,187 during the current fiscal year. The General Fund begins each year with budgeted revenue and expenditure amounts that are equal. This includes \$933,000 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 \$34.8 million in fiscal 2009. Increased current collections of personal property taxes helped offset an additional non-budgeted \$0.5 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 2009. 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 \$42,000 decrease from fiscal year 2008. Most of the decrease came from State requirement to participate in the Commonwealth's revenue shortfall by returned a prorated share of State revenues. 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 \$933,000 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. Project expenditures totaled \$3,282,360 which resulted in a net change in fund balances of \$2,198,020 for an ending fund balance of \$3,623,208.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues exceeded the original budgeted revenues by \$42,794 and under final budgeted revenues by \$537,554 or 1.1%. Reductions in local sales tax collections and business licenses were partially offset by increases in personal property taxes, food tax revenues and a onetime refund from Riverside Regional Jail Authority. Under the Revenue Sharing Agreement with the City's School System, a portion of these revenue shortfalls were also assumed by the component unit based on their percentage allocation of these revenues.

General Fund expenditures and transfers were greater than the original budget by \$4,942,121, and were greater than the final, amended budget by \$3,200,278 or 6.4%. During fiscal year 2009, 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. Budgetary numbers also include street resurfacing authorized that will not be completed until the 2010 fiscal year. Debt Service also reflects the refinancing of a taxable note with the 2009 General Obligation Bonds that was not budgeted.

CAPITAL ASSETS

As of June 30, 2009, the City's capital assets for its governmental and business-type activities amounted to \$54,401,040 (net of accumulated depreciation). This investment includes land; construction in progress, land improvements, buildings and structures, equipment and infrastructure. The total net increase (additions less retirements and depreciation) in the City's investment in capital assets for the current fiscal year was \$773,126 or 1.4%.

Summary Statement of
Capital Assets, Net of Accumulated Depreciation
June 30, 2009 and 2008
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 4.7	\$ 4.6	\$ 0.1	\$ 0.1	\$ 4.8	\$ 4.7
Construction in Process	1.3	0.7	-	-	1.3	0.7
Building and Structures	13.6	14.1	2.0	2.0	15.6	16.1
Infrastructure	18.9	18.1	8.5	8.6	27.4	26.7
Equipment	4.3	4.6	1.0	0.8	5.3	5.4
Total	<u>\$ 42.8</u>	<u>\$ 42.1</u>	<u>\$ 11.6</u>	<u>\$ 11.5</u>	<u>\$ 54.4</u>	<u>\$ 53.6</u>

The changes in each category of Capital Assets are presented in detail in note 8 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.

Road improvements northern end of City.

Recreational facilities projects.

LONG-TERM DEBT

At June 30, 2009, the City's long-term liabilities, not including compensated absences, totaled \$29,256,409 consisting of \$27,010,820 related to governmental activities, and \$2,245,589 related to business-type activities. This amount decreased by \$2,260,181 during the fiscal year as a result of 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, respectively.

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 \$28,855,000 is below the legal debt limit of \$170,268,252.

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 9 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City at June 30, 2009 was 8.7%, compared to a June 30, 2008 rate of 4.8%. This is above the state average of 7.3% and compares favorably with the national average unemployment rate of 9.3%.

The City had a population of 16,901, according to the 2000 census, an increase of 895 since the 1990 census. Current estimation of the City's population by the Virginia Employment Commission is 17,693.

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.

The adopted fiscal 2010 General Fund budget increased \$203,802 over 2009 amounts to maintain current service in the community. The use of 1% on undesignated cash reserves and the accrual of a 27th payroll paid out reserves is the reason of a slight budgetary increase. The projected revenues for fiscal 2010 is actually \$47,485,026 or 1.6% less than fiscal 2009. The projected reduction in the major six revenues at budget creation was less than 1% for fiscal 2010. Since this passage, the Commonwealth of Virginia has reduced funding two additional times. These have been minor at this point and incorporated without additional departmental budgetary reductions.

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, 2009

	Primary Government			Component Unit
	Governmental	Business-type	Totals	School Board
	Activities	Activities		
ASSETS				
Cash and investments	\$ 6,793,865	\$ 383,247	\$ 7,177,112	\$ 5,114,101
Receivables, net				
Taxes	11,562,453	-	11,562,453	-
Accounts	257,767	861,586	1,119,353	-
Other	13,519	-	13,519	54,322
Due from other governments	2,340,356	47,790	2,388,146	1,446,656
Due from primary government	-	-	-	172,964
Due from component unit	221,554	-	221,554	-
Internal balances	173,907	(173,907)	-	-
Inventories	45,085	-	45,085	37,346
Other	9,494	-	9,494	1,628
Restricted cash	4,218,826	-	4,218,826	890,340
Financing costs, net of accumulated amortization	232,255	-	232,255	-
Capital assets, net of accumulated depreciation:				
Land	4,700,401	136,300	4,836,701	1,090,102
Construction in progress	1,329,214	-	1,329,214	7,092,481
Land improvements	-	48,927	48,927	-
Building and structures	19,311,822	3,762,630	23,074,452	19,440,737
Infrastructure	54,385,201	14,248,112	68,633,313	-
Equipment	11,807,365	2,889,108	14,696,473	3,610,883
Less: accumulated depreciation	(48,727,169)	(9,490,871)	(58,218,040)	(13,611,338)
Total assets	68,675,915	12,712,922	81,388,837	25,340,222
LIABILITIES				
Accounts payable	1,011,084	215,679	1,226,763	457,925
Accrued interest	145,333	6,678	152,011	-
Accrued liabilities	471,619	49,226	520,845	3,006,208
Unearned revenue	10,268,984	-	10,268,984	20,581
Deposits payable	252,817	95,816	348,633	-
Due to other governments	37,739	-	37,739	394,518
Other postemployment benefits	186,488	17,402	203,890	366,968
Landfill obligation	356,000	-	356,000	-
Noncurrent liabilities:				
Due within one year	2,946,686	402,899	3,349,585	524,626
Due in more than one year	25,326,255	1,901,653	27,227,908	178,981
Total liabilities	41,003,005	2,689,353	43,692,358	4,949,807
NET ASSETS				
Invested in capital assets, net of related debt	29,035,677	9,348,617	38,384,294	18,513,205
Unrestricted	(1,362,767)	674,952	(687,815)	1,877,210
Total net assets	\$ 27,672,910	\$ 10,023,569	\$ 37,696,479	\$ 20,390,415

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	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	\$ 8,075,559	\$ 3,282,769	\$ 872,297	\$ 151,333	\$ (3,769,160)	\$ -	\$ (3,769,160)	\$ -
Judicial administration	4,453,918	731,615	679,193	-	(3,043,110)	-	(3,043,110)	-
Public safety	8,007,156	1,020,638	958,237	-	(6,028,281)	-	(6,028,281)	-
Public works	3,675,598	199,804	2,094,236	-	(1,381,558)	-	(1,381,558)	-
Health and welfare	593,946	-	-	-	(593,946)	-	(593,946)	-
Parks, recreation and cultural	2,450,217	254,040	-	-	(2,196,177)	-	(2,196,177)	-
Community development	571,243	-	-	-	(571,243)	-	(571,243)	-
Education	20,202,607	-	883,248	-	(19,319,359)	-	(19,319,359)	-
Interest	1,181,785	-	-	-	(1,181,785)	-	(1,181,785)	-
Total governmental activities	49,212,029	5,488,866	5,487,211	151,333	(38,084,619)	-	(38,084,619)	-
Business-type activities:								
Water	1,625,950	1,769,893	-	-	-	143,943	143,943	-
Sewer	2,903,274	2,892,816	-	-	-	(10,458)	(10,458)	-
Solid waste	1,145,197	1,070,028	-	-	-	(75,169)	(75,169)	-
Storm water management	243,483	-	-	-	-	(243,483)	(243,483)	-
Total business-type activities	5,917,904	5,732,737	-	-	-	(185,167)	(185,167)	-
Total primary government	\$ 55,129,933	\$ 11,221,603	\$ 5,487,211	\$ 151,333	(38,084,619)	(185,167)	(38,269,786)	-
Component Unit:								
Colonial Heights public schools	\$ 34,453,393	\$ 546,183	\$ 15,817,225	\$ -	-	-	-	(18,089,985)
General Revenues:								
Taxes:								
General property taxes					21,101,105	-	21,101,105	-
Other local taxes:								
Local sales and use					6,998,818	-	6,998,818	-
Food and lodging					4,813,420	-	4,813,420	-
Consumer utility and communications sales and use					1,709,906	-	1,709,906	-
Other					387,624	-	387,624	-
Payments from City of Colonial Heights					-	-	-	20,202,607
Intergovernmental, non-categorical aid					1,871,849	-	1,871,849	-
Use of money and property					175,942	7,864	183,806	12,036
Miscellaneous					465,376	-	465,376	255,358
Transfers					(396,608)	396,608	-	-
Total general revenues and transfers					37,127,432	404,472	37,531,904	20,470,001
Change in net assets					(957,187)	219,305	(737,882)	2,380,016
Net assets, beginning					28,630,097	9,804,264	38,434,361	18,010,399
Net assets, ending					\$ 27,672,910	\$ 10,023,569	\$ 37,696,479	\$ 20,390,415

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 6,639,127	\$ 154,738	\$ 6,793,865
Receivables, net			
Taxes	11,562,453	-	11,562,453
Accounts	257,767	-	257,767
Other	13,519	-	13,519
Due from other funds	574,954	150,000	724,954
Due from other governments	2,340,356	-	2,340,356
Due from component unit	394,518	-	394,518
Inventories	45,085	-	45,085
Other	9,494	-	9,494
Restricted cash	-	4,218,826	4,218,826
Total assets	\$ 21,837,273	\$ 4,523,564	\$ 26,360,837
LIABILITIES			
Accounts payable	\$ 684,739	\$ 326,345	\$ 1,011,084
Due to other funds	150,000	401,047	551,047
Due to other governments	37,739	-	37,739
Due to component unit	-	172,964	172,964
Accrued liabilities	471,619	-	471,619
Deposits payable	252,817	-	252,817
Deferred revenue	11,556,009	-	11,556,009
Total liabilities	13,152,923	900,356	14,053,279
FUND BALANCES			
Reserved for:			
Inventories	45,085	-	45,085
Unreserved:			
Designated for:			
Encumbrances	305,505	2,864,837	3,170,342
Undesignated:			
General fund	8,333,760	-	8,333,760
Capital projects fund	-	758,371	758,371
Total fund balances	8,684,350	3,623,208	12,307,558
Total liabilities and fund balances	\$ 21,837,273	\$ 4,523,564	\$ 26,360,837

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Total fund balances - governmental funds		\$ 12,307,558
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	\$ 91,534,003	
Less: accumulated depreciation	(48,727,169)	
Net capital assets		42,806,834
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		1,287,025
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.		232,255
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	(27,010,820)	
Landfill obligation	(356,000)	
Compensated absences	(1,262,121)	
Other postemployment benefits	(186,488)	
Interest payable	(145,333)	
		<u>(28,960,762)</u>
Net assets of governmental activities		<u><u>\$ 27,672,910</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 20,897,171	\$ -	\$ 20,897,171
Other local taxes	13,909,768	-	13,909,768
Permits, fees and licenses	3,473,403	-	3,473,403
Fines and forfeitures	731,615	-	731,615
Charges for services	1,283,848	-	1,283,848
Use of money and property	175,942	-	175,942
Miscellaneous	465,376	-	465,376
Reimbursement from component unit	883,248	-	883,248
Intergovernmental	6,475,812	151,333	6,627,145
Total revenues	48,296,183	151,333	48,447,516
Expenditures:			
Current:			
General government	7,229,137	-	7,229,137
Judicial administration	4,346,342	-	4,346,342
Public safety	7,261,713	-	7,261,713
Public works	3,031,589	-	3,031,589
Health and welfare	590,148	-	590,148
Parks, recreation and cultural	2,188,202	-	2,188,202
Community development	553,966	-	553,966
Education	18,767,898	1,434,709	20,202,607
Grants	435,331	-	435,331
Nondepartmental	279,042	-	279,042
Debt service:			
Principal	6,082,877	-	6,082,877
Interest and fiscal charges	1,312,510	-	1,312,510
Capital outlays	-	1,847,651	1,847,651
Total expenditures	52,078,755	3,282,360	55,361,115
Revenues under expenditures	(3,782,572)	(3,131,027)	(6,913,599)
Other Financing Sources (Uses):			
Issuance of debt	3,970,000	-	3,970,000
Transfers in	-	933,007	933,007
Transfers out	(1,329,615)	-	(1,329,615)
Other financing sources, net	2,640,385	933,007	3,573,392
Net change in fund balances	(1,142,187)	(2,198,020)	(3,340,207)
Fund balances, beginning	9,826,537	5,821,228	15,647,765
Fund balances, ending	\$ 8,684,350	\$ 3,623,208	\$ 12,307,558

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

	Governmental Funds	
Net change in fund balances - governmental funds	\$ (3,340,207)	
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	\$ 3,265,514	
Less depreciation expense	<u>(2,546,112)</u>	
Excess of depreciation over capital outlays		719,402
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		203,934
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	(3,970,000)	
Landfill obligation	(356,000)	
Principal repayments	<u>6,082,877</u>	
		1,756,877
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	(241,430)	
Change in accrued interest payable	116,168	
Other postemployment benefits	(186,488)	
Capitalized financing costs	23,669	
Amortization of financing costs and premiums	<u>(9,112)</u>	
		<u>(297,193)</u>
Change in net assets of governmental activities	\$ (957,187)	

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ 124,492	\$ 97,996	\$ 160,759	\$ 383,247
Receivables, net	243,782	419,526	198,278	861,586
Due from other funds	324,359	76,688	-	401,047
Due from other governments	-	47,790	-	47,790
Total current assets	692,633	642,000	359,037	1,693,670
Noncurrent Assets:				
Capital assets, net	4,199,863	7,194,496	199,847	11,594,206
Total assets	4,892,496	7,836,496	558,884	13,287,876
LIABILITIES				
Current Liabilities:				
Accounts payable	143,371	41,339	30,969	215,679
Accrued interest	3,511	3,167	-	6,678
Accrued liabilities	27,958	17,014	4,254	49,226
Due to other funds	-	574,954	-	574,954
Deposits payable	95,816	-	-	95,816
Compensated absences	17,666	12,905	1,604	32,175
Debt obligations, current	145,513	157,954	67,257	370,724
Total current liabilities	433,835	807,333	104,084	1,345,252
Noncurrent Liabilities:				
Compensated absences	20,562	5,668	558	26,788
Other postemployment benefits	6,105	8,245	3,052	17,402
Debt obligations	873,488	877,865	123,512	1,874,865
Total noncurrent liabilities	900,155	891,778	127,122	1,919,055
Total liabilities	1,333,990	1,699,111	231,206	3,264,307
NET ASSETS				
Invested in capital assets, net of related debt	3,180,862	6,158,677	9,078	9,348,617
Unrestricted	377,644	(21,292)	318,600	674,952
Total net assets	\$ 3,558,506	\$ 6,137,385	\$ 327,678	\$ 10,023,569

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Nonmajor Proprietary Funds	
Operating Revenues:				
Charges for services	\$ 1,454,632	\$ 2,657,297	\$ 1,054,443	\$ 5,166,372
Connection fees	259,240	235,300	-	494,540
Penalties and interest	47,703	-	15,585	63,288
Total operating revenues	1,761,575	2,892,597	1,070,028	5,724,200
Operating Expenses:				
Personnel	429,072	239,589	110,478	779,139
Fringe benefits	184,398	94,505	6,512	285,415
Heat, light and power	9,953	75,693	-	85,646
Repairs and maintenance	11,176	12,241	38,126	61,543
General materials and supplies	46,024	51,009	3,676	100,709
Contracted collection services	-	-	1,021,922	1,021,922
Sewage treatment costs	-	1,885,354	-	1,885,354
Water purchased for resale	532,417	-	-	532,417
Depreciation	128,650	224,030	-	352,680
Other charges	240,326	275,038	205,808	721,172
Total operating expenses	1,582,016	2,857,459	1,386,522	5,825,997
Operating income (loss)	179,559	35,138	(316,494)	(101,797)
Nonoperating Revenues (Expenses):				
Interest income	7,864	-	-	7,864
Sale of scrap	8,318	219	-	8,537
Interest expense	(43,934)	(45,815)	(2,158)	(91,907)
Total nonoperating expenses, net	(27,752)	(45,596)	(2,158)	(75,506)
Income (loss) before transfers	151,807	(10,458)	(318,652)	(177,303)
Transfers in	-	-	396,608	396,608
Change in net assets	151,807	(10,458)	77,956	219,305
Net assets, beginning	3,406,699	6,147,843	249,722	9,804,264
Net assets, ending	\$ 3,558,506	\$ 6,137,385	\$ 327,678	\$ 10,023,569

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
Cash Flows From Operating Activities:				
Receipts from customers	\$ 1,799,135	\$ 2,918,809	\$ 1,064,839	\$ 5,782,783
Payments to suppliers for goods and services	(859,795)	(2,327,593)	(1,246,607)	(4,433,995)
Payments to employees for services	(594,876)	(328,140)	(115,016)	(1,038,032)
Net cash provided by (used in) operating activities	344,464	263,076	(296,784)	310,756
Cash Flows From Noncapital Financing Activities:				
Transfers in	-	-	396,608	396,608
Net cash provided by noncapital financing activities	-	-	396,608	396,608
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(55,159)	(151,398)	(199,847)	(406,404)
Proceeds from capital lease	-	-	199,847	199,847
Principal paid on bond maturities and capital lease	(141,535)	(181,578)	(9,078)	(332,191)
Interest paid on bond maturities and capital lease	(44,388)	(46,233)	(2,158)	(92,779)
Net cash used in capital and related financing activities	(241,082)	(379,209)	(11,236)	(631,527)
Cash Flows From Investing Activities:				
Interest income	7,864	-	-	7,864
Net cash provided by investing activities	7,864	-	-	7,864
Net increase (decrease) in cash and cash equivalents	111,246	(116,133)	88,588	83,701
Cash and Cash Equivalents				
Beginning	13,246	214,129	72,171	299,546
Ending	<u>\$ 124,492</u>	<u>\$ 97,996</u>	<u>\$ 160,759</u>	<u>\$ 383,247</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 179,559	\$ 35,138	\$ (316,494)	\$ (101,797)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	128,650	224,030	-	352,680
Cash received from sales of scrap	8,318	219	-	8,537
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	27,057	25,993	(5,189)	47,861
Increase (decrease) in:				
Accounts payable	(19,899)	(30,193)	22,925	(27,167)
Accrued liabilities	20,779	7,889	1,974	30,642
Net cash provided by (used in) operating activities	\$ 344,464	\$ 263,076	\$ (296,784)	\$ 310,756

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 (GAAP) 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 school system administered by the Colonial Heights School Board. The City also owns and operates its 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 Funds are used to account for the acquisition, operation and maintenance of facilities which are primarily supported by user charges. The operations of the Water and Sewer 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 (Exhibit 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, \$1,715,881 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 GAAP 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, 2008 and the first installment (May 15) of the levy at January 1, 2009. The tax rate for calendar year 2009 was \$1.10 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, 2008, and the first installment (June 5) of the levy at January 1, 2009. The tax rate for calendar year 2009 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 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 improvements	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 \$1,262,121 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, 2009, the liability for compensated absences was \$58,963.

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.

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

9. Net Assets (Continued)

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

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

F. Use of Estimates

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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, 2009, the City's deposit and investment balances were as follows:

	Fair Value
Deposits:	
Demand	\$ 2,573,100
Cash on hand	13,750
	<u>2,586,850</u>
Investments:	
Money market funds	1,024,815
Treasurer's local government investment pool	7,784,273
	<u>8,809,088</u>
Total deposits and investments	<u>\$ 11,395,938</u>

At June 30, 2009, the School Board's deposit and investment balances were as follows:

Deposits:	
Demand	<u>\$ 6,004,441</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

Receivables at June 30, 2009, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Taxes	\$ 11,860,313	\$ -	\$ -	\$ -	\$ 11,860,313
Accounts	257,767	270,782	467,526	198,278	1,194,353
Other	13,519	-	-	-	13,519
Gross receivables	12,131,599	270,782	467,526	198,278	13,068,185
Less allowance for uncollectible accounts	(297,860)	(27,000)	(48,000)	-	(372,860)
Net receivables	\$ 11,833,739	\$ 243,782	\$ 419,526	\$ 198,278	\$ 12,695,325

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 \$11,556,009 comprised of the following:

Deferred Property Tax Revenue - Deferred revenue, representing uncollected tax billings not available for funding of current expenditures, totaled \$10,978,314 at June 30, 2009. Unearned advance 2009 tax billing represent \$10,268,984 with \$709,330 being other unavailable receivables.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2009 but paid in advance by the taxpayers totaled \$577,695 at June 30, 2009.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Due From Other Governments

Due from other governments consists of the following:

	Governmental Activities	Business-type Activities	Component Unit
Federal government	\$ 28,711	\$ -	\$ 986,862
Commonwealth of Virginia:			
Other aid, grants and reimbursements	239,392	-	-
Sales tax	1,111,988	-	402,831
PPTRA	960,265	-	-
Chesterfield County service charges	-	35,253	-
Virginia State University service charges	-	12,537	-
Other governments	-	-	56,963
	<u>\$ 2,340,356</u>	<u>\$ 47,790</u>	<u>\$ 1,446,656</u>

Note 6. Interfund Obligations

Individual fund interfund receivable and payable balances at June 30, 2009 are:

	Interfund Receivables	Interfund Payables
General Fund	\$ 574,954	\$ 150,000
Capital Projects Fund	150,000	401,047
Water Fund	324,359	-
Sewer Fund	76,688	574,954
	<u>\$ 1,126,001</u>	<u>\$ 1,126,001</u>

Bond financed Water Fund and Sewer Fund projects are transferred to the Capital Projects Fund which accounts for payables between the funds. The Sewer Fund interfund payable represents past operational subsidies received from General Fund. The General Fund interfund payable represents the liability to the Capital Projects Fund for the purchase of fire safety apparatus.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Transfers

	Transfer From General Fund
Transfer To Fund:	
Capital Projects	\$ 933,007
Solid Waste	83,900
Storm Water Management	<u>312,708</u>
Total Transferred Out	<u>\$ 1,329,615</u>

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

The transfers from the General Fund to the Solid Waste Fund and Storm Water Management Fund were to subsidize operations.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

Primary Government:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,644,581	\$ 55,820	\$ -	\$ 4,700,401
Construction in progress	644,307	1,738,504	(1,053,597)	1,329,214
Total capital assets not being depreciated	5,288,888	1,794,324	(1,053,597)	6,029,615
Capital assets, being depreciated:				
Buildings and structures	19,269,267	42,555	-	19,311,822
Infrastructure	52,507,266	1,030,264	847,671	54,385,201
Equipment	11,558,591	398,371	(149,597)	11,807,365
Total capital assets being depreciated	83,335,124	1,471,190	698,074	85,504,388
Less accumulated depreciation for:				
Buildings and structures	(5,156,348)	(605,293)	-	(5,761,641)
Infrastructure	(34,404,754)	(1,048,910)	-	(35,453,664)
Equipment	(6,975,478)	(891,909)	355,523	(7,511,864)
Total accumulated depreciation	(46,536,580)	(2,546,112)	355,523	(48,727,169)
Total capital assets being depreciated, net	36,798,544	(1,074,922)	1,053,597	36,777,219
Governmental activities capital assets, net	\$ 42,087,432	\$ 719,402	\$ -	\$ 42,806,834

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

Governmental activities:	
General government	\$ 28,134
Judicial administration	4,867
Public safety	680,137
Public works	1,452,747
Health and welfare	3,798
Parks, recreation and cultural	376,429
Total depreciation expense - governmental activities	\$ 2,546,112

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Capital Assets (Continued)

Equipment and other capital assets include capitalized leases of \$1,382,289 with a net book value \$367,041.

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	79,623	-	14,248,112
Equipment	2,572,208	326,781	(9,881)	2,889,108
Total capital assets being depreciated	20,552,254	406,404	(9,881)	20,948,777
Less accumulated depreciation for:				
Land improvements	(38,221)	(249)	-	(38,470)
Buildings and structures	(1,755,079)	(79,874)	-	(1,834,953)
Infrastructure	(5,525,872)	(215,792)	-	(5,741,664)
Equipment	(1,828,900)	(56,765)	9,881	(1,875,784)
Total accumulated depreciation	(9,148,072)	(352,680)	9,881	(9,490,871)
Total capital assets being depreciated, net	11,404,182	53,724	-	11,457,906
Business-type activities capital assets, net	\$ 11,540,482	\$ 53,724	\$ -	\$ 11,594,206

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

Business-type activities:	
Water	\$ 128,650
Sewer	224,030
	<u>\$ 352,680</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. 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	4,031,302	3,061,179	-	7,092,481
Total capital assets not being depreciated	5,121,404	3,061,179	-	8,182,583
Capital assets, being depreciated:				
Buildings and structures	19,159,021	281,716	-	19,440,737
Equipment	3,414,086	196,797	-	3,610,883
Total capital assets being depreciated	22,573,107	478,513	-	23,051,620
Less accumulated depreciation for:				
Buildings and structures	(10,505,504)	(430,072)	-	(10,935,576)
Equipment	(2,454,563)	(221,199)	-	(2,675,762)
Total accumulated depreciation	(12,960,067)	(651,271)	-	(13,611,338)
Total capital assets being depreciated, net	9,613,040	(172,758)	-	9,440,282
School Board capital assets, net	\$ 14,734,444	\$ 2,888,421	\$ -	\$ 17,622,865

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations

The following schedule reflects changes in long-term liabilities, by area of responsibility, for the fiscal year ended June 30, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 24,997,685	\$ 3,970,000	\$ (2,112,577)	\$ 26,855,108	\$ 2,181,533
Notes payable	3,970,300	-	(3,970,300)	-	-
Unamortized premium	170,672	-	(14,960)	155,712	-
	29,138,657	3,970,000	(6,097,837)	27,010,820	2,181,533
Compensated absences	1,020,691	758,094	(516,664)	1,262,121	765,153
	30,159,348	4,728,094	(6,614,501)	28,272,941	2,946,686
Business-type activities:					
General obligation bonds	2,297,315	-	(297,423)	1,999,892	303,467
Capital lease	80,618	199,847	(34,768)	245,697	67,257
	2,377,933	199,847	(332,191)	2,245,589	370,724
Compensated absences	55,641	35,416	(32,094)	58,963	32,175
	2,433,574	235,263	(364,285)	2,304,552	402,899
Total Primary government long-term liabilities	\$ 32,592,922	\$ 4,963,357	\$ (6,978,786)	\$ 30,577,493	\$ 3,349,585
Component unit – School Board:					
Compensated absences	\$ 824,254	\$ 344,267	\$ (595,365)	\$ 573,156	\$ 394,175
Retirement incentive program	524,227	-	(393,776)	130,451	130,451
	\$ 1,348,481	\$ 344,267	\$ (989,141)	\$ 703,607	\$ 524,626

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, 2009 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%	\$ 585,000
Series 1998	1998	3.850-4.100%	1,675,000
Series 2000	2000	5.125-5.400%	3,275,000
Series 2002	2002	4.000-4.300%	4,280,000
Series 2003	2003	2.470%	440,000
Series 2004	2004	3.000-3.750%	5,055,000
Series 2007	2007	4.000%	9,575,000
Series 2008	2008	3.250%	3,970,000
Total bonds			\$ 28,855,000

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

Description	Date Issued	Interest Rate	Amount Outstanding
Capital Leases Payable:			
Camera truck	2006	4.56%	\$ 54,928
Storm water truck	2009	3.98%	190,769
			<u>\$ 245,697</u>
Retirement incentive program	1995	8.00%	<u>\$ 130,451</u>

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
2010	\$ 2,181,533	\$ 1,028,806	\$ 303,467	\$ 72,526
2011	1,899,027	945,896	240,973	61,964
2012	1,978,707	865,228	251,293	52,060
2013	1,897,165	785,065	217,835	42,790
2014	5,942,729	640,044	227,271	34,141
2015-2019	7,381,749	1,819,141	688,251	74,536
2020-2024	3,474,150	798,890	70,802	1,328
2025-2027	2,100,048	170,000	-	-
Total	<u>\$ 26,855,108</u>	<u>\$ 7,053,070</u>	<u>\$ 1,999,892</u>	<u>\$ 339,345</u>

Year Ending June 30,	Capital Lease Payable	
	Business-type Activities	
	Principal	Interest
2010	\$ 67,257	\$ 9,479
2011	66,958	6,100
2012	40,438	3,706
2013	42,078	2,067
2014	28,966	434
	<u>\$ 245,697</u>	<u>\$ 21,786</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. 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 \$356,000 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 11. 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 with approximately \$2.48 million still outstanding to be completed at year-end.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

The City of Colonial Heights (City), and its component unit, the Colonial Heights School Board (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 five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating 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 sheriff's and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. 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 downloaded from their website at <http://www.varetire.org/pdf/publications/2008annurept.pdf> or obtained by writing to the system's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia, 23218-2500.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported salary to the VRS. This 5% member contribution has been assumed by the City and the School Board. In addition, the City and the School Board 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. For the fiscal year ended June 30, 2009, the contribution rate for the City was 15.63%, for the School Board's professional employees, 13.81%, and for the School Board's non-professional employees, 12.62% of annual covered payroll.

For the years ended June 30, 2009, 2008, and 2007, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$2,480,342, \$2,238,955, and \$2,582,690, respectively, and were equal to 100% of the required contribution for professional employees for each year.

C. Annual Pension Cost (APC)

For fiscal year 2009, the City and the School Board's non-professional employees' annual pension costs of \$1,990,271 were equal to the required and actual contributions.

Three-year trend information for the City is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 1,844,637	100%	\$ -
June 30, 2008	1,664,177	100%	-
June 30, 2007	1,468,499	100%	-

Three-year trend information for the Component Unit - School Board non-professional employees, is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 145,634	100%	\$ -
June 30, 2008	123,520	100%	-
June 30, 2007	125,556	100%	-

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (APC) (Continued)

The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the City's Plan was 84.59% funded. The actuarial accrued liability for benefits was \$46,684,326 and the actuarial value of assets was \$39,488,009, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,196,317. The covered payroll (annual payroll of active employees covered by the Plan) was \$11,145,672, and ratio of the UAAL to the covered payroll was 64.57%.

At June 30, 2008, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 97.59% funded. The actuarial accrued liability for benefits was \$3,893,330, and the actuarial value of assets was \$3,799,645, resulting in an unfunded actuarial accrued liability (UAAL) of \$93,685. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,087,263, and ratio of the UAAL to the covered payroll was 8.62%.

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 (AAL) for benefits.

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits

A. Plan Description

Other postemployment benefits (OPEB) provided by the City and the Colonial Heights School Board (School Board) include single-employer defined benefit retiree health insurance premium plans.

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

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

The plans do not issue stand-alone financial reports.

B. Funding Policy

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

In July 2009, the City and School Board had an actuarial valuation of postemployment benefits performed. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The pay as you go cost for OPEB benefits for the City's plan is \$51,420 and the annual benefit cost is \$255,310. The percentage of annual OPEB cost contributed is 20.14%. The pay as you go cost for OPEB benefits for the School Board's plan is \$348,568 and the annual benefit cost is \$715,536. The percentage of OPEB cost contributed is 48.71%.

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the City and School Board have elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded. At June 30, 2009, the City has recorded a liability of \$203,890 and the School Board has recorded a liability of \$366,968 on the Statement of Net Assets.

The City and School Board are required to contribute the ARC of the employer an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the calculation of the net OPEB obligations at June 30, 2009.

	City	School Board
Annual required contribution (ARC)	\$ 255,310	\$ 715,536
Less: cash payments	51,420	348,568
Net OPEB obligation at year-end	\$ 203,890	\$ 366,968

D. Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$2,765,044 for the City's plan and a UAAL of \$8,699,403 for the School Board's plan.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (Continued)

E. Actuarial Methods and Assumptions

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

In the July 1, 2009 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a four percent rate of return and an annual healthcare cost trend rate of ten percent initially, reduced by decrements to an ultimate rate of five percent after eight years. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method.

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, 2009 was \$532,417. 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, 2009 was \$1,885,354. 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 2009 contribution requirement and direct payments for special projects totaled \$1,012,078.

Virginia Gateway Region Board: The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell and Petersburg, as well as the Counties of Chesterfield, Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed \$32,713 to ABIDCO for the fiscal year ended June 30, 2009.

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 November 18, 2009, the City Council authorized the refunding of the Series 1996, Series 1998, and Series 2000 General Obligation Serial Bonds. This refunding is anticipated to occur during the early part of calendar year 2010. The amount of the refunding and other terms of the issuance have not been determined as of the date of this report.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. Pending GASB Statements

At June 30, 2009, 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. 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.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes standards to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Statement No. 54 will be effective for periods beginning after June 15, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA AND COMPONENT UNIT

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

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, 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%
June 30, 2008	39,488,009	46,684,326	7,196,317	84.59%	11,145,672	64.57%
B. Component Unit - School Board non-professional employees:						
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%
June 30, 2008	3,799,645	3,893,330	93,685	97.59%	1,087,263	8.62%

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

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:						
July 1, 2009	\$ -	\$ 2,765,044	\$ 2,765,044	0.00%	\$11,145,672	24.81%
B. Component Unit - School Board employees:						
July 1, 2009	\$ -	\$ 8,699,403	\$ 8,699,403	0.00%	\$21,181,247	41.07%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
A. Primary Government employees:		
2009	\$ 255,310	20.14%
B. Component Unit - School Board employees:		
2009	\$ 715,536	48.71%

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H
Page 1GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 17,407,368	\$ 17,407,368	\$ 17,729,485	\$ 322,117
Real and personal public service corporation property	302,636	302,636	326,700	24,064
Personal property	2,116,061	2,116,061	2,362,668	246,607
Delinquent	828,703	828,703	300,499	(528,204)
Penalties and interest	225,000	225,000	177,819	(47,181)
Total general property taxes	20,879,768	20,879,768	20,897,171	17,403
Other local taxes:				
Communication sales and use	790,000	790,000	748,546	(41,454)
Food and lodging	4,772,500	4,772,500	4,813,420	40,920
Consumer utility	990,000	990,000	961,360	(28,640)
Bank stock	165,000	165,000	175,242	10,242
Local option sales and use	7,754,100	7,754,100	6,998,818	(755,282)
Recordation	300,000	300,000	212,382	(87,618)
Franchise utility	105,000	105,000	-	(105,000)
Total local taxes	14,876,600	14,876,600	13,909,768	(966,832)
Permits, fees and licenses:				
Business and occupational licenses	2,904,233	2,904,233	2,810,223	(94,010)
Motor vehicle licenses	345,000	345,000	360,797	15,797
Zoning and construction permits	194,000	194,000	199,804	5,804
Other fees	43,050	43,050	102,579	59,529
Total permits, fees and licenses	3,486,283	3,486,283	3,473,403	(12,880)
Fines and forfeitures	429,000	429,000	731,615	302,615
Charges for services:				
Recreation use charges and fees	241,000	241,000	254,040	13,040
Administrative	1,182,463	1,182,463	1,020,638	(161,825)
Other	19,000	19,000	9,170	(9,830)
Total charges for services	1,442,463	1,442,463	1,283,848	(158,615)

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H

Page 2

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
Revenue from local sources:				
Use of money and property:				
Interest	\$ 290,000	\$ 290,000	\$ 128,837	\$ (161,163)
Rental of property	9,000	9,000	36,635	27,635
Sale of commodities and property	3,000	3,000	10,470	7,470
Total use of money and property	302,000	302,000	175,942	(126,058)
Miscellaneous	15,100	149,852	465,376	315,524
Reimbursement from component unit	490,823	788,730	883,248	94,518
Total revenue from local sources	41,922,037	42,354,696	41,820,371	(534,325)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	1,753,369	1,753,369	1,753,369	-
Rolling stock taxes	-	3,126	4,180	1,054
Rental vehicle taxes	110,000	110,000	114,300	4,300
Total non-categorical aid	1,863,369	1,866,495	1,871,849	5,354
Categorical aid:				
Commissioner of Revenue	97,588	100,401	100,193	(208)
Treasurer	96,837	101,060	99,106	(1,954)
Circuit court	241,191	246,113	245,280	(833)
Sheriff	307,858	317,117	315,420	(1,697)
Commonwealth's attorney	471,840	486,418	433,913	(52,505)
Law enforcement	667,000	667,922	642,817	(25,105)
Street construction and maintenance	2,039,000	2,094,236	2,094,236	-
Other	486,595	428,220	445,732	17,512
Total categorical aid	4,407,909	4,441,487	4,376,697	(64,790)
Total revenue from the Commonwealth	6,271,278	6,307,982	6,248,546	(59,436)
Revenue from the federal government:				
Categorical aid	60,074	171,059	227,266	56,207
Total intergovernmental	6,331,352	6,479,041	6,475,812	(3,229)
Total revenues	48,253,389	48,833,737	48,296,183	(537,554)

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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Expenditures:				
General government:				
City council	\$ 76,400	\$ 76,400	\$ 69,340	\$ (7,060)
Clerk of council	75,660	78,260	74,949	(3,311)
City manager	193,194	193,253	190,186	(3,067)
Human resources	115,529	115,529	100,549	(14,980)
City attorney	195,628	203,428	186,167	(17,261)
Real estate assessor	165,432	165,432	160,547	(4,885)
Commissioner of revenue	196,637	197,050	193,749	(3,301)
Treasurer	244,529	245,579	226,581	(18,998)
Finance	488,315	491,222	484,240	(6,982)
Information technologies	205,281	205,982	193,896	(12,086)
Auditing	138,515	138,515	133,408	(5,107)
Purchasing	146,848	147,420	80,406	(67,014)
Insurance and risk management	579,400	579,400	563,655	(15,745)
Employee benefits	4,362,915	4,364,306	4,448,110	83,804
Board of elections	26,121	26,460	25,919	(541)
Registrar	105,490	105,493	97,435	(8,058)
Total general government	7,315,894	7,333,729	7,229,137	(104,592)
Judicial administration:				
Circuit courts	340,698	343,237	332,364	(10,873)
General district court	53,880	54,651	92,413	37,762
Probation	6,900	6,900	5,933	(967)
Commonwealth's attorney	524,400	563,635	507,779	(55,856)
Sheriff	492,480	562,846	550,066	(12,780)
Incarceration	2,171,100	2,175,548	2,710,579	535,031
Community correction services	82,000	82,000	82,000	-
Community diversion services	65,700	65,700	65,208	(492)
Total judicial administration	3,737,158	3,854,517	4,346,342	491,825
Public safety:				
Bureau of police	3,391,352	3,433,063	3,356,338	(76,725)
Bureau of fire	2,798,171	2,925,615	2,802,660	(122,955)
Emergency preparedness	3,800	11,000	8,322	(2,678)
Communications	1,114,591	1,131,807	1,094,393	(37,414)
Total public safety	7,307,914	7,501,485	7,261,713	(239,772)

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures:				
Public works:				
Administration	\$ 251,332	\$ 251,332	\$ 244,226	\$ (7,106)
Horticulture	100,981	101,041	83,005	(18,036)
Engineering division	537,997	571,955	558,118	(13,837)
Street maintenance	1,254,946	1,472,667	1,077,002	(395,665)
Building maintenance	516,664	583,544	578,908	(4,636)
Traffic engineering	220,474	231,801	192,771	(39,030)
Fleet maintenance	273,103	273,795	297,559	23,764
Total public works	3,155,497	3,486,135	3,031,589	(454,546)
Health and welfare:				
Health	153,000	153,680	150,364	(3,316)
Welfare	300,000	300,000	323,144	23,144
Comprehensive services	185,729	190,943	116,640	(74,303)
Total health and welfare	638,729	644,623	590,148	(54,475)
Parks, recreation and cultural:				
Parks and recreation	562,982	571,331	524,857	(46,474)
Parks and grounds	545,823	573,745	543,534	(30,211)
Agency on aging	236,868	236,926	207,806	(29,120)
Violet Bank Museum	98,748	118,105	93,819	(24,286)
Library	596,118	617,203	586,620	(30,583)
Recreation trips and classes	219,000	219,000	231,566	12,566
Total parks, recreation and cultural	2,259,539	2,336,310	2,188,202	(148,108)
Community development:				
Planning	233,673	229,908	219,003	(10,905)
Building inspections	197,227	197,227	193,963	(3,264)
Industrial development	135,000	141,000	141,000	-
Total community development	565,900	568,135	553,966	(14,169)
Education:				
Appropriation to component unit	18,741,936	18,767,898	18,767,898	-

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H

Page 5

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Expenditures:				
Grants:				
Office of Youth	\$ 130,730	\$ 142,590	\$ 139,434	\$ (3,156)
Better Beginnings	5,000	4,000	1,826	(2,174)
Juvenile Crime	110,516	110,516	103,654	(6,862)
Victim Witness	63,363	63,836	61,085	(2,751)
CDBG	-	142,632	101,221	(41,411)
Kids After School Program	40,000	40,000	24,408	(15,592)
Other	-	4,200	3,703	(497)
Total grants	349,609	507,774	435,331	(72,443)
Nondepartmental:				
Contributions and subsidies	194,091	194,091	193,597	(494)
Contingencies and miscellaneous	308,700	235,628	85,445	(150,183)
Total nondepartmental	502,791	429,719	279,042	(150,677)
Debt service:				
Principal retirement	2,112,578	2,112,578	6,082,877	3,970,299
Interest and fiscal charges	1,207,804	1,311,282	1,312,510	1,228
Total debt service	3,320,382	3,423,860	7,395,387	3,971,527
Total expenditures	47,895,349	48,854,185	52,078,755	3,224,570
Excess of revenues over (under) expenditures	358,040	(20,448)	(3,782,572)	(3,762,124)
Other Financing Source (Uses):				
Issuance of debt	-	-	3,970,000	3,970,000
Transfers out:				
Solid Waste	(83,900)	(83,900)	(83,900)	-
Storm Water Management	(337,000)	(337,000)	(312,708)	24,292
Capital Projects Fund	(150,000)	(933,007)	(933,007)	-
Total other financing sources (uses), net	(570,900)	(1,353,907)	2,640,385	3,994,292
Net change in fund balance	(212,860)	(1,374,355)	(1,142,187)	232,168
Fund Balance, beginning	212,860	1,374,355	9,826,537	8,452,182
Fund Balance, ending	\$ -	\$ -	\$ 8,684,350	\$ 8,684,350

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009**

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, \$1,715,881 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.

SUPPLEMENTARY INFORMATION

Nonmajor Proprietary Funds

Solid Waste Fund

The Solid Waste Fund is used to account for revenues collected for solid waste collections and is to become self-sufficient over a multi-year rate structure increase. This fund accounts for services to the general public which are financed primarily by charges to users of such services.

Storm Water Management Fund

The Storm Water Management Fund was established to address the design, development, improvement, operation, inspection, maintenance, and oversight of the City's storm water runoff. The operations of this fund are currently completely subsidized by the General Fund; however, the City is currently investigating appropriate mechanisms for charging the residents and businesses of the City to sustain the activities of this operation.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit I

COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2009

	Solid Waste	Storm Water Management	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 68,233	\$ 92,526	\$ 160,759
Receivables, net	198,278	-	198,278
Total current assets	266,511	92,526	359,037
Noncurrent Assets:			
Capital assets, net	-	199,847	199,847
Total assets	266,511	292,373	558,884
LIABILITIES			
Current Liabilities:			
Accounts payable	6,894	24,075	30,969
Accrued liabilities	-	4,254	4,254
Compensated absences	-	1,604	1,604
Debt obligations, current	-	67,257	67,257
Total current liabilities	6,894	97,190	104,084
Noncurrent Liabilities:			
Compensated absences	-	558	558
Other postemployment benefits	1,164	1,888	3,052
Debt obligations	-	123,512	123,512
Total noncurrent liabilities	1,164	125,958	127,122
Total liabilities	8,058	223,148	231,206
NET ASSETS			
Invested in capital assets, net of related debt	-	9,078	9,078
Unrestricted	258,453	60,147	318,600
Total net assets	\$ 258,453	\$ 69,225	\$ 327,678

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit J

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2009

	Solid Waste	Storm Water Management	Totals
Operating Revenues:			
Charges for services	\$ 1,054,443	\$ -	\$ 1,054,443
Penalties and interest	15,585	-	15,585
Total operating revenues	1,070,028	-	1,070,028
Operating Expenses:			
Personnel	3,374	107,104	110,478
Fringe benefits	1,164	5,348	6,512
Repairs and maintenance	36,088	2,038	38,126
General materials and supplies	478	3,198	3,676
Contracted collection services	1,021,922	-	1,021,922
Other charges	82,171	123,637	205,808
Total operating expenses	1,145,197	241,325	1,386,522
Operating loss	(75,169)	(241,325)	(316,494)
Nonoperating Expense:			
Interest expense	-	(2,158)	(2,158)
Total nonoperating expense	-	(2,158)	(2,158)
Loss before transfers	(75,169)	(243,483)	(318,652)
Transfers in	83,900	312,708	396,608
Change in net assets	8,731	69,225	77,956
Net assets, beginning	249,722	-	249,722
Net assets, ending	\$ 258,453	\$ 69,225	\$ 327,678

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit K

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2009

	Solid Waste	Storm Water Management	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,064,839	\$ -	\$ 1,064,839
Payments to suppliers for goods and services	(1,141,809)	(104,798)	(1,246,607)
Payments to employees for services	(10,868)	(104,148)	(115,016)
Net cash used in operating activities	(87,838)	(208,946)	(296,784)
Cash Flows From Noncapital Financing Activities:			
Transfers in	83,900	312,708	396,608
Net cash provided by noncapital financing activities	83,900	312,708	396,608
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	-	(199,847)	(199,847)
Proceeds from capital lease	-	199,847	199,847
Principal paid on bond maturities and capital lease	-	(9,078)	(9,078)
Interest paid on bond maturities and capital lease	-	(2,158)	(2,158)
Net cash used in capital and related financing activities	-	(11,236)	(11,236)
Net increase (decrease) in cash and cash equivalents	(3,938)	92,526	88,588
Cash and Cash Equivalents			
Beginning	72,171	-	72,171
Ending	\$ 68,233	\$ 92,526	\$ 160,759
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (75,169)	\$ (241,325)	\$ (316,494)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Change in assets and liabilities:			
Increase in accounts receivable	(5,189)	-	(5,189)
Increase (decrease) in:			
Accounts payable	(1,150)	24,075	22,925
Accrued liabilities	(6,330)	8,304	1,974
Net cash used in operating activities	\$ (87,838)	\$ (208,946)	\$ (296,784)

SUPPLEMENTAL SCHEDULES

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS
AND UNOBLIGATED BALANCE
Year Ended June 30, 2009**

Project Name	Revenues and Resources			Revised Budget	Expenditures and Contract Commitments		
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Prior Years	Current	Contract Commitment
General Government							
Allocable to complete projects:							
Fire apparatus	\$ 141,585	\$ -	\$ -	\$ 64,341	\$ 69,470	\$ 136,456	\$ -
Total	141,585	-	-	64,341	69,470	136,456	-
Allocable to incomplete projects:							
Beautification Committee/tourism	173,870	-	-	5,360	133,743	-	-
Courts building needs assessment	590,000	-	-	-	138,742	2,746	389,982
Library renovation	2,821,695	-	-	-	2,821,066	-	-
Boulevard redevelopment	360,000	-	-	-	252,870	62,197	-
Total	3,945,565	-	-	5,360	3,346,421	64,943	389,982
Total General Government	4,087,150	-	-	69,701	3,415,891	201,399	389,982
Recreational Facilities							
Allocable to incomplete projects:							
Facilities master plan	331,500	-	(126,500)	-	141,477	6,285	-
Violet Bank Museum	63,759	-	-	-	58,970	4,143	-
Appomattox River greenway	54,900	36,000	-	100,000	36,583	111,826	33,844
Vocational school sport center	503,198	-	(478,500)	-	6,000	3,247	-
Senior citizen/youth center	400,000	282,007	-	-	18,000	664,087	9,862
Total	1,353,357	318,007	(605,000)	100,000	261,030	789,588	43,706
Total Recreational Facilities	1,353,357	318,007	(605,000)	100,000	261,030	789,588	43,706
Educational Facilities							
Allocable to incomplete projects:							
Transfer to school CIP Program	7,675,000	-	(175,000)	-	5,220,894	1,434,708	-
Total	7,675,000	-	(175,000)	-	5,220,894	1,434,708	-
Total Educational Facilities	7,675,000	-	(175,000)	-	5,220,894	1,434,708	-

Project Name	Revenues and Resources			Expenditures and Contract Commitments				Unobligated Balance
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment
Streets and Bridges								
Allocable to incomplete projects:								
Redevelopment project	\$ -	\$ -	\$ 53,292	\$ -	\$ 53,292	\$ -	\$ 15,915	\$ -
Highway construction-local share	12,561	-	-	-	12,561	-	-	-
Stormwater drainage improvements	255,000	-	(44,512)	-	210,488	210,488	-	-
Bruce avenue drainage	2,168,500	-	710,086	-	2,878,586	1,339,060	144,116	1,035,717
Longhorn drive drainage	187,719	-	-	-	187,719	187,719	6,614	1,571
Boulevard widening	550,000	151,333	-	6,666	707,999	102,847	598,047	-
Access road - transfer station	100,000	-	(53,292)	-	46,708	46,708	-	-
Boulevard matching grant	150,000	-	-	125,000	275,000	-	22,064	17,042
Signal coordination Temple/Sher	-	-	-	331,000	331,000	-	32,136	-
Yacht Basin storm sewer	170,000	-	(155,765)	-	14,235	14,235	-	-
Lexington storm sewer	100,000	-	(66,828)	-	33,172	33,172	-	-
Dupuy Blvd intersection	-	465,000	385,000	4,526,898	5,376,898	-	37,773	1,376,819
Total	3,693,780	616,333	827,981	4,989,564	10,127,658	1,934,229	856,665	2,431,149
Total Streets and Bridges	3,693,780	616,333	827,981	4,989,564	10,127,658	1,934,229	856,665	2,431,149
Utility Improvements								
Allocable to complete projects:								
Utility system line testing	293,257	-	-	-	293,257	293,257	-	-
Total	293,257	-	-	-	293,257	293,257	-	-
Allocable to incomplete projects:								
Waterline rehabilitation	770,034	-	(47,981)	-	722,053	722,053	-	-
Total	770,034	-	(47,981)	-	722,053	722,053	-	-
Total Utility Improvements	1,063,291	-	(47,981)	-	1,015,310	1,015,310	-	-
Total Capital Projects	17,872,578	934,340	-	5,159,265	23,966,183	11,847,354	3,282,360	2,864,837
Utility Improvements Related Projects	(1,063,291)	-	47,981	-	(1,015,310)	(1,015,310)	-	-
Non Project Related	8,415	150,000	-	-	158,415	-	-	-
Total Projects - General Government	\$16,817,702	\$1,084,340	\$ 47,981	\$5,159,265	\$23,109,288	\$10,832,044	\$3,282,360	\$2,864,837
								\$5,971,632

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF BONDS, LEASES AND OTHER LONG-TERM LIABILITIES
PRIMARY GOVERNMENT AND COMPONENT UNIT

Year Ended June 30, 2009

Exhibit M
Page 1

	Effective Interest Rate %	Interest Dates	Date Issued	Final Maturity Date	2009-10 Principal Payment	Amount of Long-Term Liabilities		
						Authorized	Issued	Retired Outstanding
General Obligation Serial Bonds:								
1996 General Improvement Series	5.125%	06/1;12/1	10/01/96	12/01/09	\$ 185,000	\$ 185,000	\$ -	\$ 185,000
1996 General Improvement Series	5.250	06/1;12/1	10/01/96	12/01/10	-	195,000	-	195,000
1996 General Improvement Series	5.250	06/1;12/1	10/01/96	12/01/11	-	205,000	-	205,000
1998 General Improvement Series	3.900	06/1;12/1	10/01/98	12/01/09	300,000	300,000	-	300,000
1998 General Improvement Series	3.950	06/1;12/1	10/01/98	12/01/10	-	320,000	-	320,000
1998 General Improvement Series	4.000	06/1;12/1	10/01/98	12/01/11	-	335,000	-	335,000
1998 General Improvement Series	4.050	06/1;12/1	10/01/98	12/01/12	-	350,000	-	350,000
1998 General Improvement Series	4.100	06/1;12/1	10/01/98	12/01/13	-	370,000	-	370,000
2000 General Improvement Series	5.125	06/1;12/1	02/01/00	12/01/09	395,000	395,000	-	395,000
2000 General Improvement Series	5.150	06/1;12/1	02/01/00	12/01/10	-	415,000	-	415,000
2000 General Improvement Series	5.200	06/1;12/1	02/01/00	12/01/11	-	440,000	-	440,000
2000 General Improvement Series	5.250	06/1;12/1	02/01/00	12/01/12	-	465,000	-	465,000
2000 General Improvement Series	5.350	06/1;12/1	02/01/00	12/01/13	-	490,000	-	490,000
2000 General Improvement Series	5.400	06/1;12/1	02/01/00	12/01/14	-	520,000	-	520,000
2000 General Improvement Series	5.400	06/1;12/1	02/01/00	12/01/15	-	550,000	-	550,000
2002 General Improvement Series	4.000	06/1;12/1	10/01/02	12/01/14	405,000	3,060,000	395,000	2,665,000
2002 General Improvement Series	4.150	06/1;12/1	10/01/02	12/01/15	-	510,000	-	510,000
2002 General Improvement Series	4.200	06/1;12/1	10/01/02	12/01/16	-	540,000	-	540,000
2002 General Improvement Series	4.300	06/1;12/1	10/01/02	12/01/17	-	565,000	-	565,000
2003 General Improvement Series	2.470	06/1;12/1	12/23/03	06/30/10	440,000	3,950,000	3,510,000	440,000
2004 General Improvement Series	3.000	06/1;12/1	10/15/04	06/30/19	385,000	6,500,000	1,445,000	5,055,000
2007 General Improvement Series	4.000	06/1;12/1	11/20/07	06/30/27	375,000	9,930,000	355,000	9,575,000
2008 General Improvement Series	3.250	06/1;12/1	10/23/08	06/30/14	-	3,970,000	-	3,970,000
Total General Obligation Serial Bonds					2,485,000	34,560,000	5,705,000	28,855,000

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF BONDS, LEASES AND OTHER LONG-TERM LIABILITIES

PRIMARY GOVERNMENT AND COMPONENT UNIT

Year Ended June 30, 2009

Exhibit M
Page 2

	Effective Interest Rate %	Interest Dates	Date Issued	Final Maturity Date	2009-10 Principal Payment	Amount of Long-Term Liabilities			
						Authorized	Issued	Retired	Outstanding
Notes/Lease Payable:									
Equipment Purchase 2006	4.560%	Quarterly	09/01/06	06/15/11	\$ 26,861	\$ 129,837	\$ 129,837	\$ 74,909	\$ 54,928
Equipment Purchase 2008	3.530	Quarterly	09/01/06	06/15/11	40,396	199,847	199,847	9,078	190,769
Total Notes/Lease Payable									<u>245,697</u>
Accrued Leave									1,894,240
Retirement Incentive Program 1995	8.000	6/1	07/01/95	06/30/10	130,451	1,453,849	1,453,849	1,323,398	<u>130,451</u>
Total Long-Term Liabilities									<u>2,024,691</u>
Total Long-Term Liabilities									
Allocation of Long-Term Liabilities by Activity:									
Governmental									\$ 28,117,229
Component unit - School Board									703,607
Business-type									<u>2,304,552</u>
Total Long-Term Liabilities									<u>\$ 31,125,388</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit N

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	School Operating Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 5,114,101	\$ -	\$ 5,114,101
Other receivable	54,322	-	54,322
Due from other governments	1,446,656	-	1,446,656
Due from primary governments	-	172,964	172,964
Inventories	37,346	-	37,346
Other	1,628	-	1,628
Restricted cash	-	890,340	890,340
Total assets	\$ 6,654,053	\$ 1,063,304	\$ 7,717,357
LIABILITIES			
Accounts payable	\$ 198,479	\$ 259,446	\$ 457,925
Accrued liabilities	3,006,208	-	3,006,208
Due to primary government	394,518	-	394,518
Deferred revenue	20,581	-	20,581
Total liabilities	3,619,786	259,446	3,879,232
FUND BALANCES			
Reserved for:			
Inventories	37,346	-	37,346
Capital outlay	-	803,858	803,858
Unreserved:			
Designated for encumbrances	357,225	-	357,225
Designated for subsequent years' expenditures	1,691,894	-	1,691,894
Undesignated	947,802	-	947,802
Total fund balances	3,034,267	803,858	3,838,125
Total liabilities and fund balances	\$ 6,654,053	\$ 1,063,304	\$ 7,717,357

Total fund balances \$ 3,838,125

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	\$ 31,234,203	
Less: accumulated depreciation	(13,611,338)	
Net capital assets		17,622,865

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	(573,156)	
Other postemployment benefits	(366,968)	
Retirement incentive program	(130,451)	
		(1,070,575)

Net assets of the School Board's governmental activities

\$ 20,390,415

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit O

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	School Operating Fund	School Capital Projects Fund	Total Governmental Funds
Revenues:			
Charges for services	\$ 546,183	\$ -	\$ 546,183
Use of money and property	12,036	-	12,036
Miscellaneous	255,358	-	255,358
Appropriation from primary government	18,767,898	1,434,709	20,202,607
Intergovernmental	15,817,225	-	15,817,225
Total revenues	35,398,700	1,434,709	36,833,409
Expenditures:			
Education:			
Administrative	1,601,316	-	1,601,316
Instruction	25,897,796	-	25,897,796
School plant	3,100,805	-	3,100,805
Transportation	677,176	-	677,176
Food service	970,609	-	970,609
Purchase of textbooks	169,652	-	169,652
Property, plant and materials	2,167,055	-	2,167,055
Reimbursement to primary government	883,248	-	883,248
Capital outlay	-	2,152,063	2,152,063
Total expenditures	35,467,657	2,152,063	37,619,720
Net change in fund balances	(68,957)	(717,354)	(786,311)
Fund Balances, beginning	3,103,224	1,521,212	4,624,436
Fund Balances, ending	<u>\$ 3,034,267</u>	<u>\$ 803,858</u>	<u>\$ 3,838,125</u>
Net change in fund balances			\$ (786,311)
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		\$ 3,539,692	
Less depreciation expense		<u>(651,271)</u>	
Excess of capital outlays over depreciation			2,888,421
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		251,098	
Other postemployment benefits		<u>(366,968)</u>	
Change in retirement incentive program		393,776	
			<u>277,906</u>
Change in net assets of governmental activities			<u>\$ 2,380,016</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit P

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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 635,106	\$ 546,183	\$ 546,183	\$ -
Use of money and property:				
Interest on investments	122,000	12,036	12,036	-
Miscellaneous	195,970	255,358	255,358	-
Appropriation from primary government	18,741,936	18,767,898	18,767,898	-
Total revenue from local sources	19,695,012	19,581,475	19,581,475	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	8,209,995	8,209,644	8,209,644	-
State sales tax	2,796,284	2,482,983	2,485,814	2,831
Other	3,834,819	3,732,590	3,732,590	-
	14,841,098	14,425,217	14,428,048	2,831
Revenue from the federal government:				
Categorical aid:				
Title I Grant	265,178	263,841	263,841	-
Title VI B Grant	577,575	619,480	619,480	-
Other	456,872	461,855	505,856	44,001
	1,299,625	1,345,176	1,389,177	44,001
Total intergovernmental	16,140,723	15,770,393	15,817,225	46,832
Total revenues	35,835,735	35,351,868	35,398,700	46,832
Expenditures:				
Education:				
Administration	1,666,187	1,611,693	1,601,316	(10,377)
Instruction	27,306,510	25,937,877	25,897,796	(40,081)
School plant	3,208,672	3,135,944	3,100,805	(35,139)
Transportation	693,130	678,035	677,176	(859)
Food service	924,719	929,805	970,609	40,804
Purchase of textbooks	218,913	220,654	169,652	(51,002)
Property, plant and materials	1,966,500	1,678,849	2,167,055	488,206
Contingencies	440,000	1,450,000	-	(1,450,000)
Reimbursement to primary government	490,823	788,730	883,248	94,518
Total expenditures	36,915,454	36,431,587	35,467,657	(963,930)
Net change in fund balance	(1,079,719)	(1,079,719)	(68,957)	1,010,762
Fund Balance, beginning	1,079,719	1,079,719	3,103,224	2,023,505
Fund Balance, ending	\$ -	\$ -	\$ 3,034,267	\$ 3,034,267

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit Q

**STATEMENT OF ASSETS AND LIABILITIES - SCHOOL BOARD
AGENCY FUND
June 30, 2009**

	School Activity Fund
<hr/>	
ASSETS	
Cash and investments	<u>\$ 289,365</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 289,365</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit R

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL BOARD
AGENCY FUND
Year Ended June 30, 2009**

<u>Department</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>SCHOOL ACTIVITY FUND</u>				
ASSETS				
Cash and investments	<u>\$ 311,259</u>	<u>\$ 662,146</u>	<u>\$ 684,040</u>	<u>\$ 289,365</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 311,259</u>	<u>\$ 662,146</u>	<u>\$ 684,040</u>	<u>\$ 289,365</u>

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 Seven Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 29,309,034	\$ 29,035,677
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	(678,937)	(1,362,767)
Total governmental activities net assets	\$ 36,833,216	\$ 37,867,407	\$ 28,209,038	\$ 28,947,164	\$ 32,071,906	\$ 28,630,097	\$ 27,672,910
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	\$ 9,348,617
Unrestricted	3,126,722	164,326	261,242	992,359	810,543	641,715	674,952
Total business-type activities net assets	\$ 9,206,718	\$ 9,485,085	\$ 9,684,226	\$ 9,959,148	\$ 9,988,353	\$ 9,804,264	\$ 10,023,569
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	\$ 38,471,583	\$ 38,384,294
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	(37,222)	(687,815)
Total primary government net assets	\$ 46,039,934	\$ 47,352,492	\$ 37,893,264	\$ 38,906,312	\$ 42,060,259	\$ 38,434,361	\$ 37,696,479
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	\$ 18,513,205
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	1,877,210
Total Component Unit	\$ 7,280,713	\$ 7,695,218	\$ 10,298,491	\$ 10,362,969	\$ 12,500,176	\$ 18,010,399	\$ 20,390,415
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	\$ 43,763,749	\$ 48,108,917
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	12,681,011	9,977,977
Total Reporting Entity	\$ 53,320,647	\$ 55,047,710	\$ 48,191,755	\$ 49,269,281	\$ 54,560,435	\$ 56,444,760	\$ 58,086,894

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.
- (3) The sum of the rows for the Reporting Entity identified as "Invested in capital assets, net of related debt" and "Unrestricted" do not equal the sum of the rows from the total Primary Government and the total Component Unit because the outstanding debt for the schools has not been subtracted from the total Primary Government's "Invested in capital assets" since the debt for the school board does not correspond to the capital assets of the Primary Government. However, when the Primary Government and the Component Unit are combined, the outstanding debt needs to be accounted for by reducing the balance classified as "Invested in capital assets, net of related debt."

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 2
Page 1

CHANGES IN NET ASSETS

Last Seven Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009		
Expenses:									
Governmental activities:									
General government	\$ 4,574,346	\$ 4,852,767	\$ 7,321,447	\$ 6,389,754	\$ 6,631,282	\$ 7,617,133	\$ 8,075,559		
Judicial administration	3,381,683	3,514,009	3,755,313	3,618,242	3,758,743	4,401,401	4,453,918		
Public safety	5,349,513	7,140,873	5,972,139	6,611,272	6,603,707	7,446,556	8,007,156		
Public works	6,351,670	4,162,560	4,791,051	3,705,174	3,488,051	3,650,407	3,675,598		
Health and welfare	518,825	491,837	571,565	727,289	905,641	716,096	593,946		
Parks, recreation and cultural	1,830,344	1,778,567	600,181	2,049,025	1,755,411	2,350,085	2,450,217		
Community development	255,761	349,923	301,989	367,863	575,426	580,574	571,243		
Education	13,966,901	14,372,467	15,451,926	15,886,549	16,738,367	23,330,795	20,202,607		
Interest	843,306	773,455	790,506	972,251	911,350	1,136,041	1,181,785		
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	49,212,029		
Business-type activities:									
Water and sewer	3,627,421	3,757,669	3,708,566	3,999,152	3,962,952	1,610,037	1,625,950		
Water	-	-	-	-	-	2,772,254	2,903,274		
Sewer	-	-	-	-	-	1,263,794	1,145,197		
Solid waste	-	-	-	1,196,750	1,292,339	-	-		
Storm water management	-	-	-	-	-	-	243,483		
Total business-type activities	3,627,421	3,757,669	3,708,566	5,195,902	5,255,291	5,646,085	5,917,904		
Total government	41,254,506	41,944,773	43,917,098	45,523,321	46,623,269	56,875,173	55,129,933		
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	254,040		
Other activities	653,784	1,110,040	1,035,840	1,074,769	5,068,830	5,001,743	5,234,826		
Operating grants and contributions	4,753,488	4,643,676	5,801,543	4,587,798	4,732,453	5,472,945	5,487,211		
Capital grants and contributions	200,000	-	720,042	190,254	-	-	151,333		
Total governmental activities program revenue	6,325,147	6,445,955	8,351,482	6,143,363	10,035,760	10,760,185	11,127,410		
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	1,769,893		
Sewer	-	-	-	-	-	2,523,737	2,892,816		
Solid waste	-	-	-	816,533	1,042,343	1,061,851	1,070,028		
Total business-type activities program revenues	3,681,958	4,021,033	3,877,189	4,568,355	4,884,529	5,248,779	5,732,737		
Total government program revenues	10,007,105	10,466,988	12,228,671	10,711,718	14,920,289	16,008,964	16,860,147		
Net (expense) revenue:									
Governmental activities	(31,301,938)	(31,741,149)	(31,857,050)	(34,184,056)	(31,332,218)	(40,468,903)	(38,084,619)		
Business-type activities	54,537	263,364	168,623	(627,547)	(370,762)	(397,306)	(185,167)		
Total government net expense	\$ (31,247,401)	\$ (31,477,785)	\$ (31,688,427)	\$ (34,811,603)	\$ (31,702,980)	\$ (40,866,209)	\$ (38,269,786)		

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 21,101,105
Local sales and use	5,890,153	6,567,401	6,664,763	7,027,037	7,350,271	7,247,183	6,998,818
Food and lodging	3,099,756	3,416,835	3,682,747	4,241,906	4,335,522	4,622,383	4,813,420
Other	3,315,429	4,594,719	4,980,434	2,017,427	1,983,102	2,211,189	2,097,530
Intergovernmental, non-categorical aid	4,048,833	5,479,791	4,728,775	4,884,469	1,868,699	1,777,424	1,871,849
Use of money and property	114,649	125,024	124,939	461,199	692,864	713,779	175,942
Miscellaneous	3,078	31,800	3,785	355,460	334,807	364,836	465,376
Transfers	-	-	-	(502,500)	(368,118)	(202,000)	(396,608)
Total governmental activities	29,989,672	32,775,340	33,118,828	34,922,182	34,456,960	37,027,094	37,127,432
Business-type activities:							
Use of money and property	12,089	9,655	26,155	48,233	31,849	11,217	7,864
Miscellaneous	5,023	5,348	4,363	351,736	-	-	-
Transfers	-	-	-	502,500	368,118	202,000	396,608
Total business-type activities	17,112	15,003	30,518	902,469	399,967	213,217	404,472
Total primary government	30,006,784	32,790,343	33,149,346	35,824,651	34,856,927	37,240,311	37,531,904
Changes in net assets:							
Governmental activities	(1,312,266)	1,034,191	1,261,778	738,126	3,124,742	(3,441,809)	(957,187)
Business-type activities	71,649	278,367	199,141	274,922	29,205	(184,089)	219,305
Total primary government	\$ (1,240,617)	\$ 1,312,558	\$ 1,460,919	\$ 1,013,048	\$ 3,153,947	\$ (3,625,898)	\$ (737,882)

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 2
Page 3

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

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
Component Unit							
Expenses:							
Education	\$ 23,741,514	\$ 24,756,429	\$ 27,386,942	\$ 28,907,895	\$ 29,636,769	\$ 33,178,764	\$ 34,453,393
Program Revenues							
Charges for services	546,926	541,121	559,653	551,513	563,298	557,939	546,183
Operating grants and contributions	9,546,452	10,115,226	11,880,916	12,258,200	14,065,197	14,434,911	15,817,225
Total program revenues	<u>10,093,378</u>	<u>10,656,347</u>	<u>12,440,569</u>	<u>12,809,713</u>	<u>14,628,495</u>	<u>14,992,850</u>	<u>16,363,408</u>
Net expense	<u>(13,648,136)</u>	<u>(14,100,082)</u>	<u>(14,946,373)</u>	<u>(16,098,182)</u>	<u>(15,008,274)</u>	<u>(18,185,914)</u>	<u>(18,089,985)</u>
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	20,202,607
Use of money and property	16,543	7,948	22,084	70,338	283,982	97,462	12,036
Miscellaneous	178,593	214,614	218,320	205,773	123,132	267,880	255,358
Total general revenues	<u>14,060,475</u>	<u>14,514,587</u>	<u>14,724,817</u>	<u>16,162,660</u>	<u>17,145,481</u>	<u>23,696,137</u>	<u>20,470,001</u>
Total component unit change in net assets	<u>\$ 412,339</u>	<u>\$ 414,505</u>	<u>\$ (221,556)</u>	<u>\$ 64,478</u>	<u>\$ 2,137,207</u>	<u>\$ 5,510,223</u>	<u>\$ 2,380,016</u>

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.
- (5) In fiscal year 2009, the Storm Water Management Fund was established as a separate reporting entity.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 502,682	\$ 1,239,337	\$ 904,785	\$ 934,635	\$ 868,769	\$ 907,105	\$ 42,867	\$ 50,977	\$ 54,779	\$ 45,085
Unreserved:										
Designated	627,021	684,749	641,702	678,431	289,099	613,629	1,386,363	1,251,658	720,761	305,505
Undesignated	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	8,333,760
Total general fund	\$ 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	\$ 8,684,350
Other Governmental Funds										
Reserved	\$ 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	2,864,837
Special Revenue Fund	-	2,240	58,222	-	-	-	-	-	-	-
Undesignated:										
Capital Projects Fund	-	20,900	(2,595,874)	-	(1,202,086)	-	477,883	(331,293)	5,208,410	758,371
Special Revenue Fund	41,840	31,050	-	-	-	-	-	-	-	-
Total other governmental funds	5,831,122	2,484,322	(692,872)	2,514,248	(52,875)	2,774,463	1,322,017	278,990	5,821,228	3,623,208
Total governmental funds	\$ 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	\$ 12,307,558

CITY OF COLONIAL HEIGHTS, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 4
Page 1

	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
General property taxes	\$ 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	\$ 20,897,171
Other local taxes	-	-	-	-	-	-	-	-	14,080,755	13,909,768
Fines and forfeitures	249,886	249,349	262,745	397,597	409,557	376,808	371,758	490,709	566,042	731,615
Charges for services	857,036	877,352	879,578	1,378,187	1,802,279	1,829,897	1,365,311	1,511,128	1,274,510	1,283,848
Permits, fees and licenses	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	3,473,403
Use of money and property	441,428	438,261	203,188	185,782	137,520	139,710	461,199	692,864	713,779	175,942
Intergovernmental	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	6,627,145
Reimbursement from component unit	-	-	-	-	-	-	-	-	677,514	883,248
Miscellaneous	270,457	291,498	477,048	443,094	391,150	1,451,991	355,460	334,807	364,836	465,376
Total revenues	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	48,447,516
Expenditures:										
General government	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	7,229,137
Judicial administration	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	4,346,342
Public safety	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	7,261,713
Public works	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	3,031,569
Health and welfare	323,230	542,959	401,637	529,610	495,984	567,767	687,192	729,275	712,298	590,148
Parks, recreation and cultural	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	2,188,202
Community development	216,486	211,608	228,045	252,158	253,888	298,240	326,325	436,395	538,041	553,966
Education	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	20,202,607
Grants	315,810	337,568	394,596	277,377	281,149	292,285	353,295	482,590	406,310	435,331
Nondepartmental	505,595	251,258	758,047	274,717	361,514	355,625	286,130	283,190	467,976	279,042
Debt service:										
Principal retirement	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	6,082,877
Interest and fiscal charges	788,100	812,062	782,127	829,641	778,842	837,357	786,285	904,782	1,162,817	1,312,510
Bond issuance costs	-	-	-	48,614	3,000	3,000	-	-	-	-
Capital expenditures	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	1,847,651
Total expenditures	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	55,361,115
Revenues over (under) expenditures	(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)	(6,913,599)
Other Financing Sources (Uses):										
Issuance of debt	5,875,000	-	-	5,425,000	-	5,655,000	3,970,300	-	10,000,000	3,970,000
Transfers in	874,381	80,408	211,222	8,000	431,788	80,000	766,150	908,500	1,200,000	933,007
Transfers out	(874,380)	(80,408)	(164,222)	(8,000)	(431,788)	(80,000)	(1,268,650)	(1,276,618)	(1,402,000)	(1,329,615)
Total other financing sources (uses), net	5,875,001	-	47,000	5,425,000	-	5,655,000	3,467,800	(368,118)	9,798,000	3,573,392
Net change in fund balances	\$ 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	\$ (3,340,207)

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			
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
2009	1,029,811,100	97,597,000	546,792,700	28,481,719	-	1,702,682,519

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
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	1.10	0.24
2009	1.10	1.10	0.24

Note:

(1) There is no overlapping government taxation.

CITY OF COLONIAL HEIGHTS, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS

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

Table 7

	Fiscal Year					
	2009			2000		
	Taxpayer	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	\$ 72,451,239	1	4.31%	\$ 51,363,413	1
	Roslyn Farms Corporation	35,504,475	2	2.11%	20,319,374	3
	Wal-Mart Properties, Inc.	24,872,963	3	1.48%	22,967,144	2
	Roslyn Farms Associates LP	24,870,100	4	1.48%	16,894,700	4
	Dunlop House	14,281,700	5	0.85%	-	-
	Colonial Square, Inc.	13,538,200	6	0.81%	-	-
	Home Depot, USA	12,396,036	7	0.74%	-	-
	Colonial Heights Operations (Nursing Home)	12,498,106	8	0.74%	-	-
	Faison-Colonial Retail Assoc., Etc.	12,333,688	9	0.73%	8,287,220	7
	Southpark Hotel LLC/Hilton Garden	11,553,006	10	0.69%	-	-
	Bell Atlantic	-	-	-	14,235,628	5
	VA Electric & Power Co.	-	-	-	9,419,147	6
	J.C. Penney Prop., Inc.	-	-	-	7,271,167	8
	Dayton Hudson Corp.	-	-	-	7,252,645	9
	Roslyn Converters	-	-	-	6,191,450	10
	Total	\$ 234,299,513		13.94%	\$ 164,201,888	17.68%

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

Table 8

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
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%
2008	22,871,135	22,536,288	98.54%	177,101	22,713,389	99.31%

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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Apparel	\$ 40,022	\$ 44,326	\$ 42,799	\$ 44,509	\$ 43,858	\$ 49,014	\$ 40,413	\$ 85,969	\$ 56,839	\$ 55,303
Automotive	17,494	17,823	22,239	24,061	24,829	24,735	23,187	24,227	13,563	14,817
Food	80,735	88,463	86,202	87,714	91,310	92,098	85,495	49,300	107,331	116,997
Furniture, Home Furnishings and Equipment	20,045	19,117	42,726	45,764	51,901	52,337	31,649	57,665	55,986	8,313
General Merchandise	227,605	250,949	248,094	254,681	264,190	269,381	227,277	234,775	295,155	293,417
Machinery, Equipment and Supplies	4,257	5,706	6,684	6,696	6,877	8,608	6,228	42,413	46,438	43,189
Miscellaneous	91,727	101,356	93,904	100,299	108,466	123,636	162,351	176,341	114,937	86,177
Total	\$ 481,885	\$ 527,740	\$ 542,648	\$ 563,724	\$ 591,431	\$ 619,809	\$ 576,600	\$ 670,690	\$ 690,249	\$ 618,213
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 2008 and 1999

(taxable sales in thousands of dollars)
(Unaudited)

	Calendar Year 2008			Calendar Year 1999		
	Number of Filers	Percentage of Total	Taxable Sales	Number of Filers	Percentage of Total	Taxable Sales
Apparel	110	19.6%	\$ 55,303	58	9.5%	\$ 40,022
Automotive	18	3.2	14,817	30	5.5	17,494
Food	70	12.5	116,997	103	16.9	80,735
Furniture, Home Furnishings and Equipment	19	3.4	8,313	40	7.3	20,045
General Merchandise	80	14.3	293,417	54	10.1	227,605
Machinery, Equipment and Supplies	24	4.3	43,189	31	3.9	4,257
Miscellaneous	239	42.7	86,177	275	46.8	91,727
Total	560	100.0%	\$ 618,213	591	100.0%	\$ 481,885
City Direct Local Option Sales Tax	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		Capital Leases	General Obligation Bonds	Capital Leases					
		Payable	Note								
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		
2009	26,855,108	-	-	1,999,892	245,697	-	29,100,697	*	1,645		

General bonded debt outstanding:

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property		Debt Per Capita
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	
2009	28,855,000	1.72%	1,631	

* Unavailable

89 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,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed Value of Property	\$ 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	\$ 1,702,682,519
Debt Limit, 10% of assessed value (statutory limitation)	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	170,268,252
Amounts of Debt Applicable to Limit General Obligation Bonds	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	28,855,000
Available Legal Debt Margin	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	141,413,252
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	22.33%	19.38%	15.85%	19.40%	17.09%	20.41%	15.47%	13.74%	16.24%	16.95%
Bonded Debt Per Capita	1,227	1,095	975	1,239	1,118	1,358	1,200	1,093	1,534	1,631

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

(Unaudited)

Table 13

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
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%
2009	17,693	*	*	2,881	8.70%

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 2009		Fiscal Year 2000	
	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		
Red Lobster & Olive Garden	100 to 249	5		
J.C. Penney Corporation, Inc.	100 to 249	6	100 to 249	4
Care Advantage	100 to 249	7		
Home Depot, USA	100 to 249	8		
Ukrop's Super Markets	100 to 249	9	100 to 249	10
Sears Roebuck & Company	100 to 249	10	100 to 249	5
Herbert L. Seal Etal			100 to 249	6
May Department Stores Company			100 to 249	7
Target Division of Dayton Huds Corp.			100 to 249	8
Specialty Care Services, Inc.			100 to 249	9

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,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	1
City attorney	2	2	2	2	2	2	2	2	2	2
Total	5	5	6	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	6	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	9	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	5	5	5	5	5	5	5	5	5
Commonwealth's attorney	5	5	5	6	6	6	6	8	9	9
Sheriff	8	9	8	8	8	8	8	8	8	8
Total	17	19	18	19	19	19	19	21	22	22
Public Safety:										
Bureau of police	51	51	51	52	52	53	54	54	54	54
Bureau of fire	28	31	31	41	41	41	44	44	44	45
Communications	12	13	13	15	15	15	17	17	17	18
Total	91	95	95	108	108	109	115	115	115	117

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 16

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

Function/Program	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government:										
Registered voters	10,878	10,890	11,089	11,089	11,001	11,569	11,512	11,433	12,179	11,938
Structures:										
Detached	5,797	5,797	5,855	5,929	5,966	6,057	6,057	6,140	6,153	6,179
Duplex	298	298	177	180	180	183	183	180	180	179
Multi-family	962	962	1,141	1,141	1,141	1,201	1,201	1,211	1,211	1,211
Parcel with elderly/disabled:										
Exemptions	235	226	261	280	286	284	293	325	316	353
Judicial Administration:										
Average daily jail population	96	110	118	131	147	139	118	124	155	170
Public Safety:										
Volunteers	30	30	30	33	42	38	41	55	66	58
Public Works:										
Road mileage maintained:										
Arterial	25	30	30	30	30	30	30	30	31	31
Local/collector	156	157	157	159	159	160	160	162	161	162
Parks, Recreational and Cultural:										
Parks:										
Number	8	8	8	9	9	9	9	9	9	9
Areas	55	55	55	71	71	71	71	71	71	71
Recreation:										
Baseball fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	5	5	5	5	5	5	5	5	5	5
Soccer fields	6	6	6	6	6	6	6	6	6	6

COMPLIANCE SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
<u>Pass-through payments:</u>		
<u>Department of Agriculture, Food and Nutrition Service:</u>		
Commodity Distribution	10.555	\$ 41,680
<u>Department of Education:</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	67,792
National School Lunch Program	10.555	250,509
		<u>318,301</u>
Total Department of Agriculture		<u>359,981</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>95,804</u>
Total Department of Housing and Urban Development		<u>95,804</u>
DEPARTMENT OF JUSTICE:		
<u>Pass-through payments:</u>		
<u>Bureau of Justice Assistance:</u>		
Edward Byrne Memorial Formula Grant Program	16.579	457
Edward Byrne Memorial Justice Assistance Grant Program	16.738	32,587
Bulletproof Vest Partnership Program	16.607	4,095
		<u>37,139</u>
<u>Office of Victims of Crime:</u>		
Crime Victim Assistance	16.575	<u>49,288</u>
<u>Office of Juvenile Justice and Delinquency Prevention</u>		
Enforcing Underage Drinking Program	16.727	<u>11,700</u>
Total Department of Justice		<u>98,127</u>
DEPARTMENT OF TRANSPORTATION:		
<u>Pass-through payments:</u>		
<u>National Highway Traffic Safety Administration:</u>		
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	8,823
State and Community Highway Safety	20.600	6,337
Alcohol Open Container Requirements	20.607	7,374
		<u>22,534</u>
<u>Pipeline and Hazardous Materials Safety Administration</u>		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>800</u>
Total Department of Transportation		<u>23,334</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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	\$ 15,975
<u>Pass-through payments:</u>		
<u>Office of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	263,841
Education Technology State Grants	84.318	5,962
Improving Teacher Quality State Grants	84.367	75,001
		<u>344,804</u>
<u>Office of English Language Acquisition:</u>		
English Language Acquisition Grants	84.365	<u>2,232</u>
<u>Office of Special Education and Rehabilitative Services:</u>		
Special Education Cluster:	84.027	619,480
Special Education - Grants to States	84.173	14,514
Special Education - Preschool Grants		<u>633,994</u>
<u>Office of Assistant Secretary for Vocational and Adult Education:</u>		
Career and Technical Education Basic Grants to States	84.048	<u>29,869</u>
		<u>1,026,874</u>
Total Department of Education		
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Pass-through payments:</u>		
<u>Centers for Disease Control and Prevention</u>		
Preventive Health and Health Services Block Grant	93.991	<u>587</u>
Total Department of Health and Human Services		<u>587</u>
DEPARTMENT OF HOMELAND SECURITY:		
<u>Pass-through payments:</u>		
<u>Department of Homeland Security</u>		
Citizen Corps	97.053	4,334
Emergency Management Performance Grant	97.042	5,000
State Homeland Security Program	97.073	<u>5,666</u>
		<u>15,000</u>
Total Department of Homeland Security		
Total Federal Awards Expended		<u>\$ 1,619,707</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 \$41,680 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.

**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, 2009, and have issued our report thereon dated December 10, 2009. 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 09-01 is a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding 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 10, 2009.

This report is intended solely for the information and use 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 10, 2009

**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, 2009. 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, 2009.

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, as defined above.

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 10, 2009

CITY OF COLONIAL HEIGHTS, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

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
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

Special Education Cluster:

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

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program

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
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

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

09-01: 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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 3

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

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

B. Compliance Finding

None

CITY OF COLONIAL HEIGHTS, VIRGINIA

**CORRECTIVE ACTION PLAN
Year Ended June 30, 2009**

Identifying Number:

09-01

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 an additional modification to the tax revenue software that will eliminate State provided tax relief from the reconciliation process, and is exploring the transfer of responsibility for this reconciliation. Management understands the need for timely and accurate reconciliation of tax revenues and will continue to monitor this procedure.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

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. Material Weakness in Internal Control

08-01 Material weakness in internal control over the financial reporting of property taxes.

No corrective action taken

08-02 Material weakness in the audit preparedness of the School Board.

Corrective action taken

B. Compliance Finding

08-03 Submission of unclaimed property of the School Board.

Corrective action taken