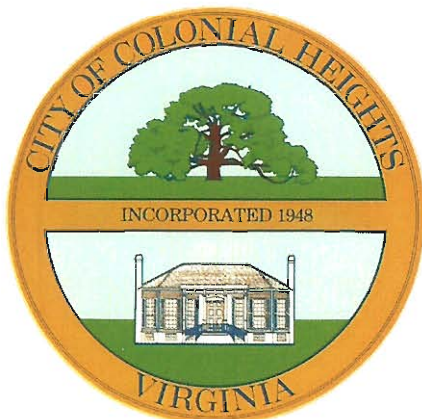


# CITY OF COLONIAL HEIGHTS VIRGINIA

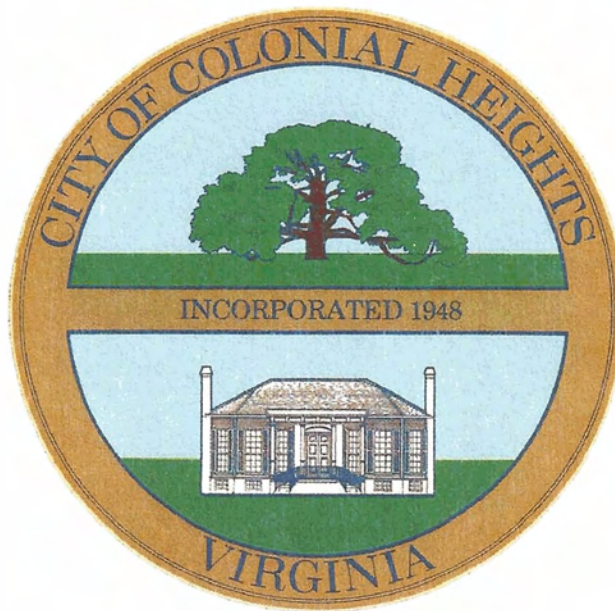


## COMPREHENSIVE ANNUAL FINANCIAL REPORT ENDING JUNE 30, 2010

# CITY OF COLONIAL HEIGHTS, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2009 THROUGH JUNE 30, 2010



Prepared by the Department of Financial Administration

William E. Johnson  
Director of Finance

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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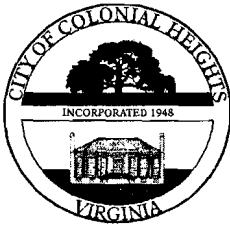
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## **INTRODUCTORY SECTION**



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# CITY OF COLONIAL HEIGHTS

P.O. Box 3401  
COLONIAL HEIGHTS, VA 23834-9001  
[www.colonial-heights.com](http://www.colonial-heights.com)

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December 30, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ended June 30, 2010, 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.

Upon completing your review of this introductory section, you are encouraged to turn to the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) for a more detailed overview of the City's financial position.

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, 2010, 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. For additional information on the City's financial status go to the Management's Discussion and Analysis section of this report.

### **Economic Condition and Outlook**

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

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

The population of the City is estimated at 18,035 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 9,394 and an unemployment rate of 8.6%. 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. This area has lost several car dealerships with the past automotive contraction, but this area is showing continued interest to absorb these closures with additional planned retail businesses. Transportation access and diversity have been two key elements of the area's sustained success. The expansion of Fort Lee continues to reduce the City's exposure to economic downturns. 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 closure has opened additional land for development in the Southpark commercial center, which the City is actively marketing.

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 continued the reduced operating expenditures of an average of 5% and maintained the reduced replacement rate 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% 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 and again in the Fiscal Year 2011 budget preparations.

### **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, 2010.

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 \$170,810,840, but has currently utilized 15.394% 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, 2010, totaled \$26,295,000, of which \$1,365,205 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City's bonds are rated as follows:

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

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**

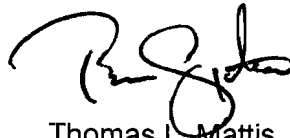
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate 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 30 consecutive years (fiscal years ended 1980 through 2009). 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,

A handwritten signature in black ink, appearing to read "Tom Mattis", written in a cursive style.

Thomas L. Mattis  
City Manager

A handwritten signature in black ink, appearing to read "William E. Johnson", written in a cursive style.

William E. Johnson  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Colonial Heights  
Virginia

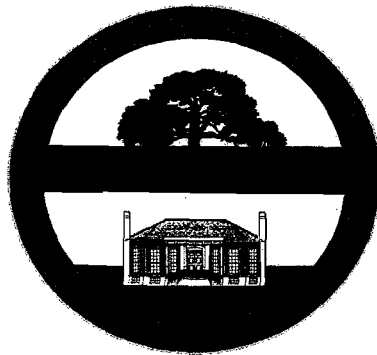
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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



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CITY OF COLONIAL HEIGHTS, VIRGINIA

Directory of Principal Officials  
June 30, 2010

***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***

William E. Johnson

Hugh P. Fisher, III

DeAnna D. Atkins

William E. Johnson

Jeffrey W. Faries

William E. Henley

Sean E. Gleason

Bruce N. Hansen

Dr. Joseph O. Cox

Acting City Manager

City Attorney

City Clerk

Director of Finance

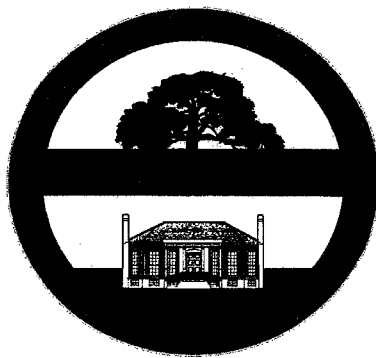
Chief of Police

Director of Public Works

Director of Recreation and Parks

Library Director

Superintendent of Schools



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## **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, 2010, 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, 2010, 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 30, 2010 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 12 to 21) and the required supplementary information (pages 62 to 68) 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 supplemental 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 30, 2010

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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, 2010. 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 \$37,568,907 at June 30, 2010. Of this amount, \$30,974,421 is invested in capital assets, net of related debt, which results in \$6,594,486 that may be used to meet ongoing obligations to citizens and creditors. 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.

On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$37,099,448, which represents a \$353,073 overage as compared to the general revenues of \$37,452,521, exclusive of transfers.

At June 30, 2010, the City's governmental funds balance sheet reported fund balances of \$10,907,176. Of this amount, \$10,850,605 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. The fund financial statements begin on page 24 and provide detailed information about the most significant funds, not the City as a whole. The City has two types of funds:

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

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

The City's enterprise funds, one type of proprietary fund, 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, Solid Waste, and Storm Water Management funds.

The following table presents a condensed comparison of net assets:

Summary Statement of Net Assets  
June 30, 2010 and 2009  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2010	2009	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 26.3	\$ 25.9	\$ 0.7	\$ 1.1	\$ 27.0	\$ 27.0	\$ 7.5	\$ 7.7
Capital Assets, net	42.4	42.8	11.3	11.6	53.7	54.4	17.5	17.6
Total Assets	68.7	68.7	12.0	12.7	80.7	81.4	25.0	25.3
Other Liabilities	16.4	15.7	0.7	0.8	17.1	16.5	4.6	4.7
Non-current Liabilities	24.6	25.3	1.4	1.9	26.0	27.2	0.8	0.2
Total Liabilities	41.0	41.0	2.1	2.7	43.1	43.7	5.4	4.9
Net Assets								
Invested in Capital Assets, net of related debt	21.3	29.0	9.7	9.3	31.0	38.3	17.5	18.5
Restricted								
Unrestricted	6.4	(1.3)	0.2	0.7	6.6	(0.6)	2.1	1.9
Total Net Assets	\$ 27.7	\$ 27.7	\$ 9.9	\$ 10.0	\$ 37.6	\$ 37.7	\$ 19.6	\$ 20.4



The City's combined net assets decreased from \$37.7 million to \$37.6 million. Net assets of the governmental activities remained flat at \$27.7 million. 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 an increase of \$7.7 million. Invested in capital assets, net of related depreciation and debt, represents the amount of capital assets owned by the City including infrastructure, net of any outstanding debt used to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation.

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

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

Summary Statement of Changes in Net Assets  
Years Ended June 30, 2010 and 2009  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues:								
Program revenues:								
Charges for services	\$ 5.5	\$ 5.5	\$ 5.5	\$ 5.7	\$ 11.0	\$ 11.2	\$ 0.4	\$ 0.5
Operating grants and contributions	5.1	5.5	-	-	5.1	5.5	14.2	15.8
Capital grants and contributions	1.3	0.1	-	-	1.3	0.1	-	-
General revenues:								
Property taxes	21.4	21.1	-	-	21.4	21.1	-	-
Other local taxes	13.9	13.9	-	-	13.9	13.9	-	-
Payment from other governments	-	-	-	-	-	-	18.6	20.2
Intergovernmental, non-categorical aid	1.9	1.9	-	-	1.9	1.9	-	-
Use of money and property	-	0.2	-	-	-	0.2	-	-
Miscellaneous	0.2	0.5	-	-	0.2	0.5	0.3	0.3
Total revenues	49.3	48.7	5.5	5.7	54.8	54.4	33.5	36.8
Expenses:								
General government	8.4	8.1	-	-	8.4	8.1	-	-
Judicial administration	4.6	4.4	-	-	4.6	4.4	-	-
Public safety	8.2	8.0	-	-	8.2	8.0	-	-
Public works	4.7	3.7	-	-	4.7	3.7	-	-
Health and welfare	0.5	0.6	-	-	0.5	0.6	-	-
Parks, recreation and cultural	2.4	2.4	-	-	2.4	2.4	-	-
Community development	0.6	0.6	-	-	0.6	0.6	-	-
Education	18.6	20.2	-	-	18.6	20.2	34.3	34.4
Interest	1.0	1.2	-	-	1.0	1.2	-	-
Water, sewer, solid waste, and storm water management	-	-	5.9	5.9	5.9	5.9	-	-
Total expenses	49.0	49.2	5.9	5.9	54.9	55.1	34.3	34.4
Change in Net Assets Before Transfers	0.3	(0.5)	(0.4)	(0.2)	(0.1)	(0.7)	(0.8)	2.4
Transfers	(0.3)	(0.4)	0.3	0.4	-	-	-	-
Change in Net Assets	0.0	(0.9)	(0.1)	0.2	(0.1)	(0.7)	(0.8)	2.4
Net Assets, beginning	27.7	28.6	10.0	9.8	37.7	38.4	20.4	18.0
Net Assets, ending	\$ 27.7	\$ 27.7	\$ 9.9	\$ 10.0	\$ 37.6	\$ 37.7	\$ 19.6	\$ 20.4

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 \$17.6 million. The assessed value of real property in the City increased overall 0.3% for the calendar year due to new construction, with a minor decrease in existing Real Estate values in the annual reassessment effective January 1, 2010

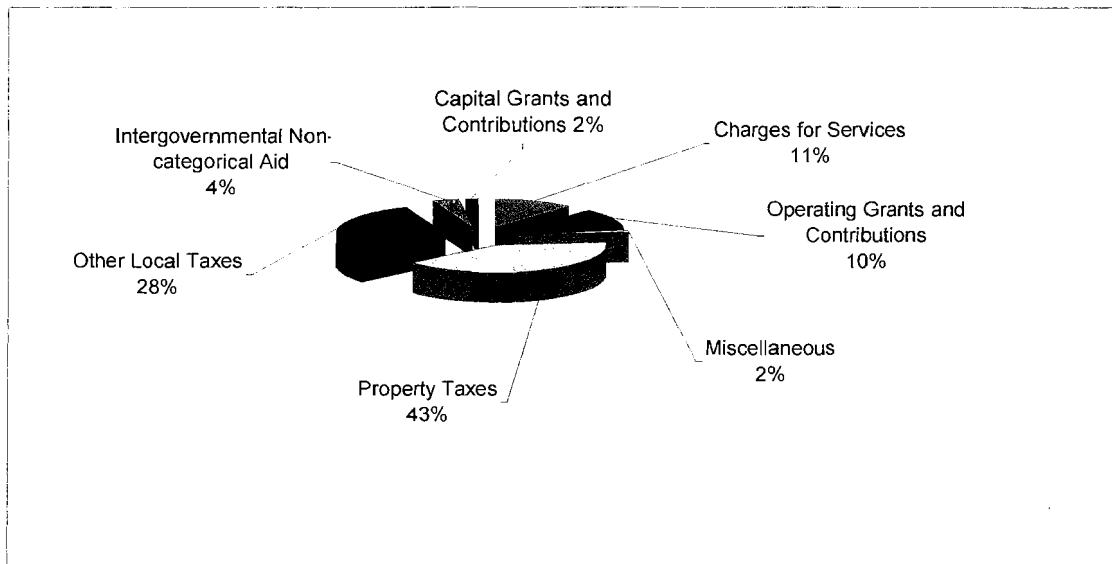
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 65% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, totaled \$3.9 million for fiscal year 2010 as compared to \$4.2 million in fiscal year 2009. The net assessed value of taxable personal property decreased \$0.2 million or 0.2% from 2009 to 2010 after a decrease of \$4.1 million from 2008 to 2009.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 28.3% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 10.3% 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 returned to a growth position and increased 8% over past collections.

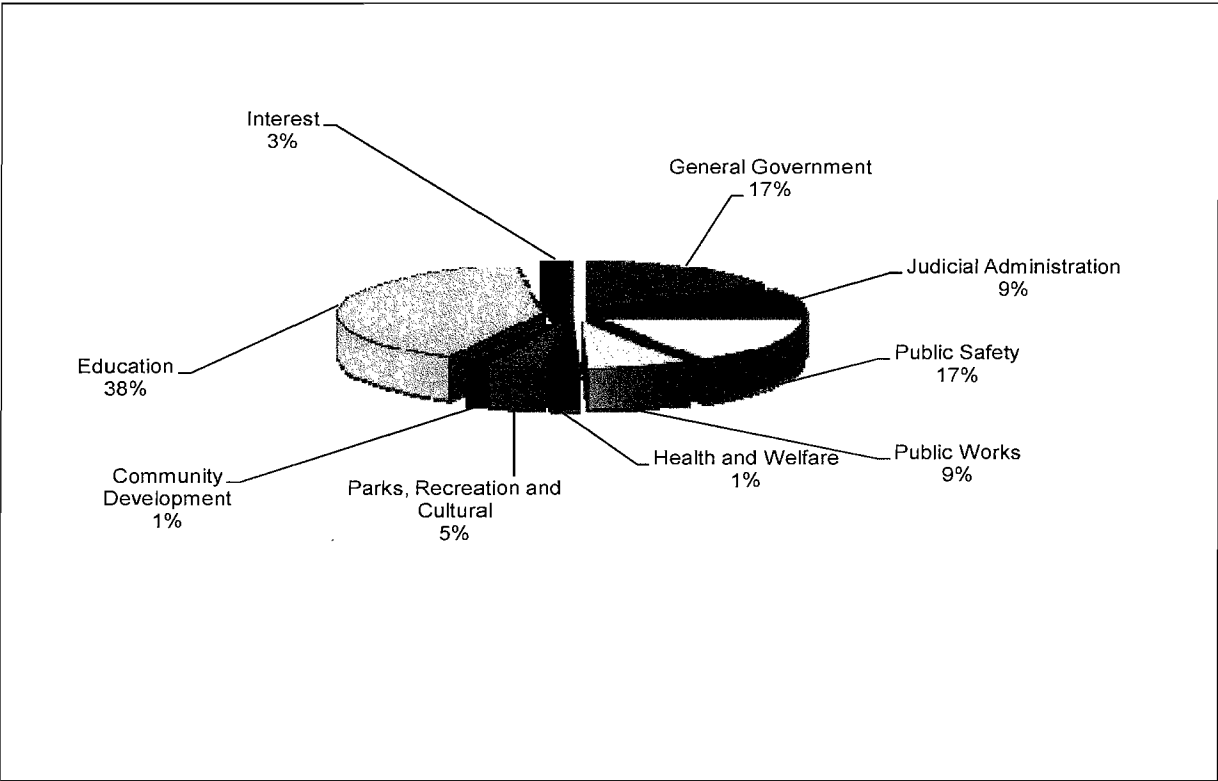
Revenue generated for governmental activities is presented below by category:



Funding, established by the revenue sharing agreement, of \$18.6 million was provided to the City of Colonial Heights School Board to support School operations. This was in accordance with the budgeted estimated \$18.6 million.

Public Works and Health and Welfare expenses comprised approximately 9.5% and 1.0% 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 personnel positions, which resulted in salary lapse/benefit savings and slowdown of some construction projects and 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 decreased approximately \$146,000 during 2010.

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 has established a new Stormwater Management fee in fiscal year 2011 to deal with operational and capital expenses for State and Federal mandates that had previously been funded by General Fund transfers.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

For the fiscal year ended June 30, 2010, the governmental funds reflect a total fund balance of \$10,907,176. Approximately \$10.9 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 multi-year rate structure increase to bring the operations to be self-sufficient and not be a City supported service, through general government revenues.

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 \$8,331,539, while the total fund balance was \$8,388,110. 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 17.3% of the total General Fund expenditures, while total fund balance represents 17.4% of that same amount.

The fund balance of the General Fund reflects a decrease of \$296,240 during the current fiscal year. The General Fund begins each year with budgeted revenue and expenditure amounts that are equal. This includes \$36,500 transferred to the Capital Projects fund for a one-time capital projects.

Local taxes generated the majority of General Fund revenue, totaling approximately \$35.1 million in fiscal 2010. Increased current collections of personal property taxes helped offset the 0.3% reduction in property values during the 2010 Real Estate reassessment.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.4 million in fiscal year 2010. 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 \$106,106 decrease from fiscal year 2009. Most of the decrease came from the State's reduction of the 599 funding and reductions in the funding for Constitutional Offices. Normal increases to base street maintenance funds were received.

## **CAPITAL PROJECTS FUND HIGHLIGHTS**

The Capital Projects Fund reflects the receipt of \$1,320,778 in Federal and State funding for ongoing road and trail projects and a budgeted transfer of \$36,500 from the General Fund for matching grant in the river trail project. Project expenditures totaled \$2,461,420 which resulted in a net reduction in fund balances of \$1,104,142 for an ending fund balance of \$2,519,066.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were under original budgeted revenues by \$436,370 and under final budgeted revenues by \$231,383 or 0.5%. Reductions in Real Property Taxes due to reduction in assessed values, local sales tax collections and construction permits were partially offset by increases in personal property taxes, lodging 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 less than the original budget by \$124,018, and were under the final, amended budget by \$9,263,626 or 16.1%. During fiscal year 2010, City Council amended the budget to appropriate the awarding of donations and receipt of operational grants. Budgetary amounts also include authorized street resurfacing that will not be completed until the 2011 fiscal year. Debt Service also reflects the refunding of several prior General Obligation Issues with \$7,600,000 in General Obligation Refunding Bonds issued during the year.

## CAPITAL ASSETS

As of June 30, 2010, the City's capital assets for its governmental and business-type activities amounted to \$53,724,390 (net of accumulated depreciation and amortization). This investment includes land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The total net decrease (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$676,650 or 1.2%. This decrease is a result of depreciation of assets exceeding the amount expended to acquire capital assets during the year.

Summary Statement of  
Capital Assets, Net of Accumulated Depreciation and Amortization  
June 30, 2010 and 2009  
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and Easements	\$ 4.7	\$ 4.7	\$ 0.1	\$ 0.1	\$ 4.8	\$ 4.8
Construction in Process	2.4	1.3	0.1	-	2.5	1.3
Building and Structures	13.6	13.6	1.9	2.0	15.5	15.6
Infrastructure	18.0	18.9	8.1	8.5	26.3	27.4
Equipment and Software	3.7	4.3	1.1	1.0	4.6	5.3
Total	<u>\$ 42.4</u>	<u>\$ 42.8</u>	<u>\$ 11.3</u>	<u>\$ 11.6</u>	<u>\$ 53.7</u>	<u>\$ 54.4</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:

Storm drainage and road improvements southern end of City.

Road improvements Southpark Mall area of the City.

Traffic Signals northern end of City.

## **LONG-TERM DEBT**

At June 30, 2010, the City's long-term liabilities, including the landfill obligation, OPEB and not including compensated absences, totaled \$27,678,225 consisting of \$26,079,249 related to governmental activities, and \$1,598,976 related to business-type activities. This amount decreased by \$1,578,184 during the fiscal year as a result of normal debt retirement and the issuance of General Obligation Refunding Bonds for remaining portions of 1996, 1998, 2000 General Obligation Bond series and portions of the 2002 General Obligation Bonds .

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 \$26,295,000 is below the legal debt limit of \$170,810,840.

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 notes 9, 10 and 13 to the Basic Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The unemployment rate for the City at June 30, 2010 was 8.6%, compared to a June 30, 2009 rate of 8.7%. This is above the state average of 7.1% and compares favorably with the national average unemployment rate of 9.6%.

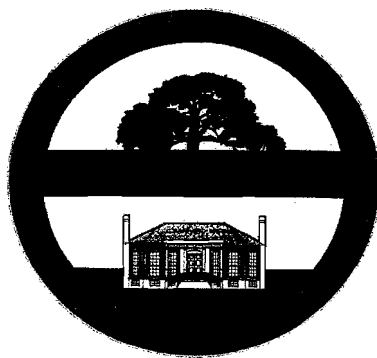
The City had a population of 16,901, according to the 2000 census, an increase of 895 since the 1990 census. Current estimation of the City's population by the Virginia Employment Commission is 18,035.

Primary revenue sources for the City's General Fund are property taxes, sales tax, business and occupational licenses, meal tax, 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 2011 General Fund budget decreased \$1,297,951 over 2010 amounts while still maintaining basic current service to the community. The use of 1% on undesignated reserves was continued for the second of three planned years. The budgetary reduction is due in part to 2010's accrual of a 27<sup>th</sup> payroll paid out of reserves that occurs approximately every eleven years. The projected revenues for fiscal 2011 of \$46,689,713 or 1.7% less than fiscal 2010. The projected reduction in the major six revenues at budget creation was less than 1% for fiscal 2011. Since its passage, the Commonwealth of Virginia's estimated funding had to be reduced, but was minor, and incorporated without additional departmental budgetary reductions. The current budget also contains allowances for additional minor 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](http://www.colonial-heights.com).



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## ***BASIC FINANCIAL STATEMENTS***

**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Primary Government			
	Governmental	Business-type		Component Unit
	Activities	Activities	Totals	School Board
<b>ASSETS</b>				
Cash and investments	\$ 5,878,249	\$ 249,141	\$ 6,127,390	\$ 4,099,760
Receivables, net				
Taxes	11,849,295	-	11,849,295	-
Accounts	234,627	893,477	1,128,104	-
Other	12,796	-	12,796	-
Due from other governments	2,989,573	43,817	3,033,390	2,543,818
Due from primary government	-	-	-	-
Due from component unit	287,982	-	287,982	-
Internal balances	506,135	(506,135)	-	-
Inventories	44,116	-	44,116	28,563
Other	12,455	-	12,455	-
Restricted cash	4,151,646	-	4,151,646	788,172
Financing costs, net of accumulated amortization	305,229	8,984	314,213	-
Capital assets, net of accumulated depreciation and amortization:				
Land	2,455,154	136,300	2,591,454	1,090,102
Easements	2,245,247	-	2,245,247	-
Construction in progress	2,406,528	53,671	2,460,199	403,530
Land improvements	-	48,927	48,927	-
Building and structures	20,013,178	3,762,630	23,775,808	26,613,572
Infrastructure	54,585,148	13,954,854	68,540,002	-
Equipment	12,008,522	2,811,918	14,820,440	3,740,909
Intangibles	76,761	303,982	380,743	12,155
Less: accumulated depreciation and amortization	(51,344,555)	(9,793,875)	(61,138,430)	(14,352,061)
<b>Total assets</b>	<b>68,718,086</b>	<b>11,967,691</b>	<b>80,685,777</b>	<b>24,968,520</b>
<b>LIABILITIES</b>				
Accounts payable	1,056,922	301,600	1,358,522	194,486
Accrued interest	95,074	5,720	100,794	-
Accrued liabilities	503,970	15,400	519,370	2,904,956
Unearned revenue	11,829,510	-	11,829,510	632,498
Deposits payable	73,270	98,061	171,331	-
Due to other governments	59,030	-	59,030	287,982
Noncurrent liabilities:				
Due within one year:				
Compensated absences	866,869	38,519	905,388	486,476
Bonds payable	1,969,767	267,067	2,236,834	-
Due in more than one year:				
Compensated absences	462,777	31,923	494,700	168,534
Bonds payable, net	23,366,102	1,298,679	24,664,781	-
Landfill obligation	356,000	-	356,000	-
Other postemployment benefits	387,380	33,230	420,610	681,111
<b>Total liabilities</b>	<b>41,026,671</b>	<b>2,090,199</b>	<b>43,116,870</b>	<b>5,356,043</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	21,261,760	9,712,661	30,974,421	17,508,207
Unrestricted	6,429,655	164,831	6,594,486	2,104,270
<b>Total net assets</b>	<b>\$ 27,691,415</b>	<b>\$ 9,877,492</b>	<b>\$ 37,568,907</b>	<b>\$ 19,612,477</b>

See Notes to Financial Statements.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## Exhibit B

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

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	\$ 8,420,688	\$ 3,255,128	\$ 849,803	\$ 1,320,778	\$ (2,994,979)	\$ -	\$ (2,994,979)	\$ -
Judicial administration	4,622,336	707,554	673,039	-	(3,241,743)	-	(3,241,743)	-
Public safety	8,157,263	1,083,759	881,605	-	(6,191,899)	-	(6,191,899)	-
Public works	4,644,140	79,215	2,108,763	-	(2,456,162)	-	(2,456,162)	-
Health and welfare	511,097	-	-	-	(511,097)	-	(511,097)	-
Parks, recreation and cultural	2,420,733	336,773	-	-	(2,083,960)	-	(2,083,960)	-
Community development	613,699	-	-	-	(613,699)	-	(613,699)	-
Education	18,598,070	-	588,934	-	(18,009,136)	-	(18,009,136)	-
Interest	996,773	-	-	-	(996,773)	-	(996,773)	-
<b>Total governmental activities</b>	<b>48,984,799</b>	<b>5,462,429</b>	<b>5,102,144</b>	<b>1,320,778</b>	<b>(37,099,448)</b>	<b>-</b>	<b>(37,099,448)</b>	<b>-</b>
Business-type activities:								
Water	1,692,407	1,640,431	-	-	-	(51,976)	(51,976)	-
Sewer	2,863,099	2,740,934	-	-	-	(122,165)	(122,165)	-
Solid waste	1,174,794	1,096,627	-	-	-	(78,167)	(78,167)	-
Storm water management	229,545	-	-	-	-	(229,545)	(229,545)	-
<b>Total business-type activities</b>	<b>5,959,845</b>	<b>5,477,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(481,853)</b>	<b>(481,853)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 54,944,644</b>	<b>\$ 10,940,421</b>	<b>\$ 5,102,144</b>	<b>\$ 1,320,778</b>	<b>(37,099,448)</b>	<b>(481,853)</b>	<b>(37,581,301)</b>	<b>-</b>
Component Unit:								
Colonial Heights public schools	\$ 34,245,957	\$ 432,265	\$ 14,186,550	\$ -	-	-	-	(19,627,142)
General Revenues:								
Taxes:								
General property taxes					21,409,820	-	21,409,820	-
Other local taxes:								
Local sales and use					6,687,050	-	6,687,050	-
Food and lodging					5,105,057	-	5,105,057	-
Consumer utility and communications sales and use					1,687,718	-	1,687,718	-
Other					463,416	-	463,416	-
Payments from City of Colonial Heights					-	-	-	18,598,070
Intergovernmental, non-categorical aid					1,856,496	-	1,856,496	-
Use of money and property					47,549	1,208	48,757	2,885
Miscellaneous					195,415	-	195,415	248,249
Transfers					(334,568)	334,568	-	-
<b>Total general revenues and transfers</b>					<b>37,117,953</b>	<b>335,776</b>	<b>37,453,729</b>	<b>18,849,204</b>
<b>Change in net assets</b>					<b>18,505</b>	<b>(146,077)</b>	<b>(127,572)</b>	<b>(777,938)</b>
Net assets, beginning					27,672,910	10,023,569	37,696,479	20,390,415
Net assets, ending					\$ 27,691,415	\$ 9,877,492	\$ 37,568,907	\$ 19,612,477

See Notes to Financial Statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 5,837,286	\$ 40,963	\$ 5,878,249
Receivables, net			
Taxes	11,849,295	-	11,849,295
Accounts	234,627	-	234,627
Other	12,796	-	12,796
Due from other funds	907,182	-	907,182
Due from other governments	2,343,481	646,092	2,989,573
Due from component unit	287,982	-	287,982
Inventories	44,116	-	44,116
Prepaid costs	12,455	-	12,455
Restricted cash	-	4,151,646	4,151,646
<b>Total assets</b>	<b>\$ 21,529,220</b>	<b>\$ 4,838,701</b>	<b>\$ 26,367,921</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 877,302	\$ 179,620	\$ 1,056,922
Due to other funds	-	401,047	401,047
Due to other governments	59,030	-	59,030
Accrued liabilities	420,555	83,415	503,970
Deposits payable	73,270	-	73,270
Deferred revenue	11,710,953	1,655,553	13,366,506
<b>Total liabilities</b>	<b>13,141,110</b>	<b>2,319,635</b>	<b>15,460,745</b>
<b>FUND BALANCES</b>			
Reserved for:			
Inventories	44,116	-	44,116
Prepaid costs	12,455	-	12,455
Unreserved:			
Designated for:			
Encumbrances	344,001	1,213,975	1,557,976
Undesignated	7,987,538	1,305,091	9,292,629
<b>Total fund balances</b>	<b>8,388,110</b>	<b>2,519,066</b>	<b>10,907,176</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,529,220</b>	<b>\$ 4,838,701</b>	<b>\$ 26,367,921</b>

See Notes to Financial Statements.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010**

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Total fund balances - governmental funds		\$ 10,907,176
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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	\$ 93,790,538	
Less: accumulated depreciation and amortization	(51,344,555)	
Net capital assets		42,445,983

Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		1,536,996
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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.		305,229
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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 deferred amounts	(25,335,869)	
Landfill obligation	(356,000)	
Compensated absences	(1,329,646)	
Other postemployment benefits	(387,380)	
Interest payable	(95,074)	
		(27,503,969)

<b>Net assets of governmental activities</b>		<b>\$ 27,691,415</b>
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2010**

	General	Capital Projects	Total Governmental Funds
<b>Revenues:</b>			
General property taxes	\$ 21,159,849	\$ -	\$ 21,159,849
Other local taxes	13,943,241	-	13,943,241
Permits, fees and licenses	3,320,903	-	3,320,903
Fines and forfeitures	707,554	-	707,554
Charges for services	1,433,972	-	1,433,972
Use of money and property	47,549	-	47,549
Miscellaneous	195,415	-	195,415
Reimbursement from component unit	588,934	-	588,934
Intergovernmental	6,369,706	1,320,778	7,690,484
<b>Total revenues</b>	<b>47,767,123</b>	<b>1,320,778</b>	<b>49,087,901</b>
<b>Expenditures:</b>			
Current:			
General government	7,423,627	-	7,423,627
Judicial administration	4,541,636	-	4,541,636
Public safety	7,433,568	-	7,433,568
Public works	3,111,361	-	3,111,361
Health and welfare	507,299	-	507,299
Parks, recreation and cultural	2,135,270	-	2,135,270
Community development	522,187	-	522,187
Education	18,566,698	31,372	18,598,070
Grants	397,630	-	397,630
Nondepartmental	258,062	-	258,062
Debt service:			
Principal	2,185,490	-	2,185,490
Interest and fiscal charges	1,029,750	-	1,029,750
Capital outlays	-	2,430,048	2,430,048
<b>Total expenditures</b>	<b>48,112,578</b>	<b>2,461,420</b>	<b>50,573,998</b>
<b>Revenues under expenditures</b>	<b>(345,455)</b>	<b>(1,140,642)</b>	<b>(1,486,097)</b>
<b>Other Financing Sources (Uses):</b>			
Refunding bonds issued	6,943,864	-	6,943,864
Premium on issuance of debt	412,680	-	412,680
Payment to refunded bond escrow agent	(7,267,779)	-	(7,267,779)
Reimbursement of debt related expenditures	331,518	-	331,518
Transfers in	-	36,500	36,500
Transfers out	(371,068)	-	(371,068)
<b>Other financing sources, net</b>	<b>49,215</b>	<b>36,500</b>	<b>85,715</b>
<b>Net change in fund balances</b>	<b>(296,240)</b>	<b>(1,104,142)</b>	<b>(1,400,382)</b>
Fund balances, beginning	8,684,350	3,623,208	12,307,558
Fund balances, ending	\$ 8,388,110	\$ 2,519,066	\$ 10,907,176

See Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010**

	Governmental Funds
Net change in fund balances - governmental funds	\$ (1,400,382)
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 and amortization expense. This is the amount by which depreciation and amortization expense exceeded capital outlays in the current period.	
Expenditures for capital assets	\$ 2,289,455
Less depreciation and amortization expense	<u>(2,617,386)</u>
Excess of depreciation and amortization over capital outlays	(327,931)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations).	(32,920)
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	249,971
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:	
Refunding bonds issued	(6,943,864)
Premium on general obligation debt	(412,680)
Payment to refunded bond escrow agent	7,267,779
Principal repayments	2,185,490
Transfer of general obligation bonds payable from business-type activity	<u>(331,518)</u>
	1,765,207
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	(67,525)
Change in accrued interest payable	50,259
Other postemployment benefits	(200,892)
Capitalized financing costs	95,074
Amortization of financing costs and premiums	<u>(112,356)</u>
	<u>(235,440)</u>
<b>Change in net assets of governmental activities</b>	<b>\$ 18,505</b>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit E

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 64,335	\$ 5,515	\$ 179,291	\$ 249,141
Receivables, net	256,139	441,395	195,943	893,477
Due from other funds	4,946	69,529	-	74,475
Due from other governments	-	43,817	-	43,817
<b>Total current assets</b>	<b>325,420</b>	<b>560,256</b>	<b>375,234</b>	<b>1,260,910</b>
Noncurrent Assets:				
Deferred bond costs, net	4,466	4,518	-	8,984
Capital assets, net	4,088,707	7,006,507	183,193	11,278,407
<b>Total noncurrent assets</b>	<b>4,093,173</b>	<b>7,011,025</b>	<b>183,193</b>	<b>11,287,391</b>
<b>Total assets</b>	<b>4,418,593</b>	<b>7,571,281</b>	<b>558,427</b>	<b>12,548,301</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	175,317	91,497	34,786	301,600
Accrued interest	3,025	2,695	-	5,720
Accrued liabilities	7,133	6,517	1,750	15,400
Due to other funds	6,842	569,930	3,838	580,610
Deposits payable	98,061	-	-	98,061
Compensated absences	24,485	10,648	3,386	38,519
Debt obligations, current	98,363	129,965	38,739	267,067
<b>Total current liabilities</b>	<b>413,226</b>	<b>811,252</b>	<b>82,499</b>	<b>1,306,977</b>
Noncurrent Liabilities:				
Compensated absences	17,340	12,598	1,985	31,923
Other postemployment benefits	18,729	9,887	4,614	33,230
Debt obligations, net	461,560	722,324	114,795	1,298,679
<b>Total noncurrent liabilities</b>	<b>497,629</b>	<b>744,809</b>	<b>121,394</b>	<b>1,363,832</b>
<b>Total liabilities</b>	<b>910,855</b>	<b>1,556,061</b>	<b>203,893</b>	<b>2,670,809</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,528,784	6,154,218	29,659	9,712,661
Unrestricted	(21,046)	(138,998)	324,875	164,831
<b>Total net assets</b>	<b>\$ 3,507,738</b>	<b>\$ 6,015,220</b>	<b>\$ 354,534</b>	<b>\$ 9,877,492</b>

See Notes to Financial Statements.



## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit F

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
Operating Revenues:				
Charges for services	\$ 1,467,225	\$ 2,624,227	\$ 1,082,652	\$ 5,174,104
Connection fees	136,231	94,800	-	231,031
Penalties and interest	29,581	21,907	13,975	65,463
<b>Total operating revenues</b>	<b>1,633,037</b>	<b>2,740,934</b>	<b>1,096,627</b>	<b>5,470,598</b>
Operating Expenses:				
Personnel	439,430	263,150	115,667	818,247
Fringe benefits	192,012	105,664	6,053	303,729
Heat, light and power	2,000	71,061	-	73,061
Repairs and maintenance	14,245	19,271	1,258	34,774
General materials and supplies	58,108	39,891	4,533	102,532
Contracted collection services	-	-	1,054,289	1,054,289
Sewage treatment costs	-	1,761,860	-	1,761,860
Water purchased for resale	543,984	-	-	543,984
Depreciation and amortization	132,139	228,550	16,654	377,343
Other charges	282,549	341,115	198,844	822,508
<b>Total operating expenses</b>	<b>1,664,467</b>	<b>2,830,562</b>	<b>1,397,298</b>	<b>5,892,327</b>
<b>Operating loss</b>	<b>(31,430)</b>	<b>(89,628)</b>	<b>(300,671)</b>	<b>(421,729)</b>
Nonoperating Revenues (Expenses):				
Interest income	1,208	-	-	1,208
Sale of scrap	7,394	-	-	7,394
Interest expense	(27,940)	(32,537)	(7,041)	(67,518)
<b>Total nonoperating expenses, net</b>	<b>(19,338)</b>	<b>(32,537)</b>	<b>(7,041)</b>	<b>(58,916)</b>
<b>Loss before transfers</b>	<b>(50,768)</b>	<b>(122,165)</b>	<b>(307,712)</b>	<b>(480,645)</b>
Transfers in	-	-	334,568	334,568
<b>Change in net assets</b>	<b>(50,768)</b>	<b>(122,165)</b>	<b>26,856</b>	<b>(146,077)</b>
Net assets, beginning	3,558,506	6,137,385	327,678	10,023,569
Net assets, ending	\$ 3,507,738	\$ 6,015,220	\$ 354,534	\$ 9,877,492

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit G

Page 1

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
Cash Flows From Operating Activities:				
Receipts from customers	\$ 1,630,319	\$ 2,723,038	\$ 1,098,962	\$ 5,452,319
Payments to suppliers for goods and services	(868,940)	(2,193,537)	(1,257,797)	(4,320,274)
Payments to employees for services	(636,046)	(362,499)	(116,763)	(1,115,308)
<b>Net cash provided by (used in) operating activities</b>	<b>125,333</b>	<b>167,002</b>	<b>(275,598)</b>	<b>16,737</b>
Cash Flows From Noncapital Financing Activities:				
Transfers in	-	-	334,568	334,568
Advances (to) from other funds	326,255	2,135	3,838	332,228
<b>Net cash provided by noncapital financing activities</b>	<b>326,255</b>	<b>2,135</b>	<b>338,406</b>	<b>666,796</b>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(20,983)	(40,561)	-	(61,544)
Proceeds from bond issuance	326,188	329,948	-	656,136
Deferred charges, bond issuance costs	4,947	5,023	-	9,970
Principal paid on bond maturities and capital lease	(794,679)	(523,019)	(37,235)	(1,354,933)
Interest paid on bond maturities and capital lease	(28,426)	(33,009)	(7,041)	(68,476)
<b>Net cash used in capital and related financing activities</b>	<b>(512,953)</b>	<b>(261,618)</b>	<b>(44,276)</b>	<b>(818,847)</b>
Cash Flows From Investing Activities:				
Interest income	1,208	-	-	1,208
<b>Net cash provided by investing activities</b>	<b>1,208</b>	<b>-</b>	<b>-</b>	<b>1,208</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(60,157)</b>	<b>(92,481)</b>	<b>18,532</b>	<b>(134,106)</b>
Cash and Cash Equivalents				
Beginning	124,492	97,996	160,759	383,247
Ending	\$ 64,335	\$ 5,515	\$ 179,291	\$ 249,141

See Notes to Financial Statements.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit G  
Page 2STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (31,430)	\$ (89,628)	\$ (300,671)	\$ (421,729)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	132,139	228,550	16,654	377,343
Cash received from sales of scrap	7,394	-	-	7,394
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(12,357)	(17,896)	2,335	(27,918)
Increase (decrease) in:				
Accounts payable	31,946	50,158	3,817	85,921
Accrued liabilities	(2,359)	(4,182)	2,267	(4,274)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 125,333</b>	<b>\$ 167,002</b>	<b>\$ (275,598)</b>	<b>\$ 16,737</b>

See Notes to Financial Statements.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies

The financial statements of the City of Colonial Heights, Virginia, (City) conform with accounting principles 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, 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

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#### 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 unit. 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

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**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 90 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 tax, franchise tax, 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

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#### 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, \$9,139,608 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.
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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Significant Accounting Policies (Continued)**

**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, 2009, 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, 2009 and the first installment (May 15) of the levy at January 1, 2010. The tax rate for calendar year 2010 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, 2009, and the first installment (June 5) of the levy at January 1, 2010. The tax rate for calendar year 2010 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

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#### 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 and amortization has been provided over the estimated useful lives using the straight-line method. No depreciation or amortization expense is recorded for land, easements, or construction-in-progress. The estimated useful lives are:

Land improvements	5 – 20 years
Buildings and structures	20 – 50 years
Intangibles	5 – 10 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.

The City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, during fiscal year 2010. The City's intangible assets consist of easements previously recorded and classified as land; a utility system testing study, previously recorded and classified as infrastructure; and software, which was previously recorded and classified as machinery and equipment.

###### 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.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### E. Assets, Liabilities and Equity (Continued)

##### 6. Compensated Absences Payable (Continued)

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 \$1,329,646 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, 2010, the liability for compensated absences was \$70,442.

##### 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, gains and losses from refundings, 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 deferred amounts. 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 and amortization, 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.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### E. Assets, Liabilities and Equity (Continued)

###### 9. Net Assets (Continued)

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.

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

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#### 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, 2010, the City's deposit and investment balances were as follows:

	Fair Value
Deposits:	
Demand	\$ 438,705
Cash on hand	13,400
	<u>452,105</u>
Investments:	
Money market funds	1,027,977
Treasurer's local government investment pool	8,798,954
	<u>9,826,931</u>
Total deposits and investments	<u>\$ 10,279,036</u>

At June 30, 2010, the School Board's deposit and investment balances were as follows:

Deposits:	
Demand	<u>\$ 4,887,932</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Deposits and Investments (Continued)**

**Credit Risk:**

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

**Note 3. Receivables**

Receivables at June 30, 2010, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund	Sewer Fund	Solid Waste Fund	Totals
Taxes	\$ 12,118,807	\$ -	\$ -	\$ -	\$ 12,118,807
Accounts	234,627	283,139	489,395	195,943	1,203,104
Other	12,796	-	-	-	12,796
Gross receivables	12,366,230	283,139	489,395	195,943	13,334,707
Less allowance for uncollectible accounts	(269,512)	(27,000)	(48,000)	-	(344,512)
Net receivables	\$ 12,096,718	\$ 256,139	\$ 441,395	\$ 195,943	\$ 12,990,195

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 because of past history of collections and the City's ability to sell the related property to collect on its tax lien.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 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 \$11,710,953 comprised of the following:

Deferred Property Tax Revenue - Deferred revenue, representing uncollected tax billings not available for funding of current expenditures, totaled \$11,199,243 at June 30, 2010. Unearned advance 2010 tax billing represent \$10,173,957 with \$1,025,286 being other unavailable receivables.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$511,710 at June 30, 2010.

#### Note 5. Due From Other Governments

Due from other governments consists of the following:

	Governmental Activities	Business-type Activities	Component Unit
Federal government	\$ 723,556	\$ -	\$ 2,049,157
Commonwealth of Virginia:			
Other aid, grants and reimbursements	167,111	-	-
Sales tax	1,138,641	-	430,484
PPTRA	960,265	-	-
Chesterfield County service charges	-	28,303	-
Virginia State University service charges	-	15,514	-
Other governments	-	-	64,177
	<u>\$ 2,989,573</u>	<u>\$ 43,817</u>	<u>\$ 2,543,818</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Interfund Obligations**

Individual fund interfund receivable and payable balances at June 30, 2010 are:

	Interfund Receivables	Interfund Payables
General Fund	\$ 907,182	\$ -
Capital Projects Fund	-	401,047
Water Fund	4,946	6,842
Sewer Fund	69,529	569,930
Storm Water Management Fund	-	3,838
	<u>\$ 981,657</u>	<u>\$ 981,657</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 Water Fund and Storm Water Management Fund interfund payables represent a liability to the General Fund for payroll costs paid by the General Fund.

**Note 7. Interfund Transfers**

	Transfer From General Fund
Transfer To Fund:	
Capital Projects	\$ 36,500
Solid Waste	80,000
Storm Water Management	<u>254,568</u>
<b>Total Transferred Out</b>	<u><b>\$ 371,068</b></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, 2010 is as follows:

**Primary Government:**

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 4,700,401	\$ -	\$ (2,245,247)	\$ 2,455,154
Easements	-	-	2,245,247	2,245,247
Construction in progress	1,329,214	1,978,616	(901,302)	2,406,528
<b>Total capital assets not being depreciated or amortized</b>	<b>6,029,615</b>	<b>1,978,616</b>	<b>(901,302)</b>	<b>7,106,929</b>
Capital assets, being depreciated and amortized:				
Buildings and structures	19,311,822	-	701,356	20,013,178
Infrastructure	54,385,201	-	199,947	54,585,148
Equipment	11,807,365	310,839	(109,682)	12,008,522
Intangibles	-	-	76,761	76,761
<b>Total capital assets being depreciated and amortized</b>	<b>85,504,388</b>	<b>310,839</b>	<b>868,382</b>	<b>86,683,609</b>
Less accumulated depreciation and amortization for:				
Buildings and structures	(5,761,641)	(602,689)	-	(6,364,330)
Infrastructure	(35,453,664)	(1,090,869)	-	(36,544,533)
Equipment	(7,511,864)	(919,173)	52,331	(8,378,706)
Intangibles	-	(4,655)	(52,331)	(56,986)
<b>Total accumulated depreciation and amortization</b>	<b>(48,727,169)</b>	<b>(2,617,386)</b>	<b>-</b>	<b>(51,344,555)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>36,777,219</b>	<b>(2,306,547)</b>	<b>868,382</b>	<b>35,339,054</b>
Governmental activities capital assets, net	\$ 42,806,834	\$ (327,931)	\$ (32,920)	\$ 42,445,983

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 20,889
Judicial administration	4,867
Public safety	720,727
Public works	1,496,583
Health and welfare	3,798
Parks, recreation and cultural	370,522
<b>Total depreciation and amortization expense - governmental activities</b>	<b>\$ 2,617,386</b>



# 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 \$341,378.

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 or amortized:				
Land	\$ 136,300	\$ -	\$ -	\$ 136,300
Construction in progress	-	53,671	-	53,671
<b>Total capital assets not being depreciated or amortized</b>	<b>136,300</b>	<b>53,671</b>	<b>-</b>	<b>189,971</b>
Capital assets, being depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	3,762,630	-	-	3,762,630
Infrastructure	14,248,112	7,873	(293,258)	13,954,854
Equipment	2,889,108	-	(85,063)	2,811,918
Intangibles	-	-	303,982	303,982
<b>Total capital assets being depreciated and amortized</b>	<b>20,948,777</b>	<b>7,873</b>	<b>(74,339)</b>	<b>20,882,311</b>
Less accumulated depreciation and amortization for:				
Land improvements	(38,470)	(249)	-	(38,719)
Buildings and structures	(1,834,953)	(79,874)	-	(1,914,827)
Infrastructure	(5,741,664)	(186,686)	87,977	(5,840,373)
Equipment	(1,875,784)	(80,136)	78,629	(1,877,291)
Intangibles	-	(30,398)	(92,267)	(122,665)
<b>Total accumulated depreciation and amortization</b>	<b>(9,490,871)</b>	<b>(377,343)</b>	<b>74,339</b>	<b>(9,793,875)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>11,457,906</b>	<b>(369,470)</b>	<b>-</b>	<b>11,088,436</b>
Business-type activities capital assets, net	\$ 11,594,206	\$ (315,799)	\$ -	\$ 11,278,407

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water	\$ 132,139
Sewer	228,550
Storm Water	16,654
	<b>\$ 377,343</b>

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 or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Construction in progress	7,092,481	206,630	(6,895,581)	403,530
<b>Total capital assets not being depreciated or amortized</b>	<b>8,182,583</b>	<b>206,630</b>	<b>(6,895,581)</b>	<b>1,493,632</b>
Capital assets, being depreciated and amortized:				
Buildings and structures	19,440,737	277,254	6,895,581	26,613,572
Equipment	3,610,883	130,026	-	3,740,909
Intangibles	-	12,155	-	12,155
<b>Total capital assets being depreciated and amortized</b>	<b>23,051,620</b>	<b>419,435</b>	<b>6,895,581</b>	<b>30,366,636</b>
Less accumulated depreciation and amortization for:				
Buildings and structures	(10,935,576)	(532,001)	-	(11,467,577)
Equipment	(2,675,762)	(208,519)	-	(2,884,281)
Intangibles	-	(203)	-	(203)
<b>Total accumulated depreciation and amortization</b>	<b>(13,611,338)</b>	<b>(740,723)</b>	<b>-</b>	<b>(14,352,061)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>9,440,282</b>	<b>(321,288)</b>	<b>6,895,581</b>	<b>16,014,575</b>
School Board capital assets, net	\$ 17,622,865	\$ (114,658)	\$ -	\$ 17,508,207

**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, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 26,855,108	\$ 7,275,382	\$ (9,200,695)	\$ 24,929,795	\$ 1,969,767
Less deferred amounts:					
Issuance premium	155,712	479,570	(14,959)	620,323	-
Loss on refunding	-	(214,249)	-	(214,249)	-
	27,010,820	7,540,703	(9,215,654)	25,335,869	1,969,767
Compensated absences	1,262,121	951,170	(883,645)	1,329,646	866,869
	28,272,941	8,491,873	(10,099,299)	26,665,515	2,836,636
Business-type activities:					
General obligation bonds	1,999,892	656,136	(1,290,823)	1,365,205	200,233
Capital lease	245,697	-	(64,110)	181,587	66,834
Less deferred amounts:					
Issuance premium	-	38,995	-	38,995	-
Loss on refunding	-	(20,041)	-	(20,041)	-
	2,245,589	675,090	(1,354,933)	1,565,746	267,067
Compensated absences	58,963	80,490	(69,011)	70,442	38,519
	2,304,552	755,580	(1,423,944)	1,636,188	305,586
Total Primary government long-term liabilities	\$ 30,577,493	\$ 9,228,499	\$ (11,523,243)	\$ 28,282,749	\$ 3,142,222
Component unit – School Board:					
Compensated absences	\$ 573,156	\$ 210,853	\$ (128,999)	\$ 655,010	\$ 486,476
Retirement incentive program	130,451	-	(130,451)	-	-
	\$ 703,607	\$ 210,853	\$ (259,450)	\$ 655,010	\$ 486,476

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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Long-Term Obligations (Continued)**

Outstanding long-term liabilities at June 30, 2010 are comprised of the following:

Description	Date Issued	Interest Rate	Amount Outstanding
General obligation serial bonds:			
General improvement:			
Series 2002	2002	4.00-4.30%	\$ 855,000
Series 2004	2004	3.00-3.75%	4,670,000
Series 2007	2007	4.00%	9,200,000
Series 2008	2008	3.25%	3,970,000
Series 2010	2010	2.00-4.00%	7,600,000
Total outstanding long-term debt			26,295,000
Less: unamortized premiums and deferred losses, net			425,028
Total bonded debt			<u>\$ 26,720,028</u>

Description	Date Issued	Interest Rate	Amount Outstanding
Capital Leases Payable:			
Camera truck	2006	4.56%	\$ 28,053
Storm water truck	2009	3.98%	153,534
			<u>\$ 181,587</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
2011	\$ 1,969,767	\$ 863,265	\$ 200,233	\$ 42,460
2012	2,028,330	804,861	206,670	36,489
2013	1,941,199	741,242	158,801	30,764
2014	5,984,657	1,086,740	165,343	90,662
2015	1,750,487	473,698	139,513	19,881
2016-2020	6,713,896	1,526,952	494,645	37,532
2021-2025	3,125,000	670,000	-	-
2026-2028	1,416,459	86,000	-	-
Total	<u>\$ 24,929,795</u>	<u>\$ 6,252,758</u>	<u>\$ 1,365,205</u>	<u>\$ 247,788</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Long-Term Obligations (Continued)**

Year Ending June 30,	Capital Lease Payable	
	Business-type Activities	
	Principal	Interest
2011	\$ 66,834	\$ 6,366
2012	40,304	3,972
2013	41,933	2,344
2014	32,516	650
	<u>\$ 181,587</u>	<u>\$ 13,332</u>

The available legal debt margin mandated by the Commonwealth of Virginia is \$144,515,840, which is computed based upon 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

**Advance Refunding**

The City issued \$7.6 million of general obligation bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7.675 million of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$234,290. This amount is being netted against the new debt and amortized over the remaining life of the new debt issued which is shorter than the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next eight years by \$512,683 and resulted in an economic gain of \$489,910.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **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 \$1.21 million still outstanding to be completed at year-end.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 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 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriff's and, if the employer elects, to 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 5.00% 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/2009-annual-report.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

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#### 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, 2010, the contribution rate for the City was 15.63%; for the School Board's professional employees 13.81% for July 2009 through March 2010 and 5.00% for April through June 2010; and for the School Board's non-professional employees, 12.62% of annual covered payroll.

For the years ended June 30, 2010, 2009, and 2008, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$2,092,658, \$2,480,342, and \$2,238,955, respectively, and were equal to 100% of the required contribution for professional employees for each year.

##### C. Annual Pension Cost (APC)

For fiscal year 2010, the City and the School Board's non-professional employees' annual pension costs of \$1,974,464 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, 2010	\$ 1,832,416	100%	\$ -
June 30, 2009	1,844,637	100%	-
June 30, 2008	1,664,177	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, 2010	\$ 142,048	100%	\$ -
June 30, 2009	145,634	100%	-
June 30, 2008	123,520	100%	-



## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 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 7.5%, (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 2.5% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The 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, 2009, the most recent actuarial valuation date, the City's Plan was 80.71% funded. The actuarial accrued liability for benefits was \$50,213,558 and the actuarial value of assets was \$40,527,343, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,686,215. The covered payroll (annual payroll of active employees covered by the Plan) was \$11,793,558, and ratio of the UAAL to the covered payroll was 82.13%.

At June 30, 2009, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 91.34% funded. The actuarial accrued liability for benefits was \$4,069,252, and the actuarial value of assets was \$3,716,687, resulting in an unfunded actuarial accrued liability (UAAL) of \$352,566. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,163,174 and ratio of the UAAL to the covered payroll was 30.31%.

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.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 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 per month 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**

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**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 estimated pay as you go cost for OPEB benefits for the City's plan is \$79,131 and the annual benefit cost is \$295,851. The percentage of annual OPEB cost contributed is 26.75%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$391,088 and the annual benefit cost is \$705,231. The percentage of OPEB cost contributed is 55.46%.

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, 2010, the City has recorded a liability of \$420,610 and the School Board has recorded a liability of \$681,111 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 components of the annual OPEB costs for the year, the amounts actually contributed for the year, and the changes in the net OPEB obligations.

	City	School Board
Annual required contribution (ARC)	\$ 296,184	\$ 705,831
Interest on net OPEB obligation	8,156	14,679
Adjustment to annual required contribution	(8,489)	(15,279)
Annual OPEB cost	295,851	705,231
Estimated contributions made	(79,131)	(391,088)
Increase in net OPEB obligation	216,720	314,143
Net OPEB obligation, beginning of year	203,890	366,968
Net OPEB obligation at year-end	\$ 420,610	\$ 681,111

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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**Note 13. Other Postemployment Benefits (Continued)**

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

City:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 295,851	26.75%	\$ 420,610
June 30, 2009	255,310	20.14%	203,890

School Board:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 705,231	55.46%	\$ 681,111
June 30, 2009	715,536	48.71%	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)

D. Funding Status and Funding Progress (Continued)

The following table shows the funding status for the City and the School Board.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government – employees:						
July 1, 2007	\$ -	\$ 2,366,771	\$ 2,366,771	0.00%	\$ 9,432,548	25.09%
July 1, 2009	-	2,765,044	2,765,044	0.00%	11,145,672	24.81%
B. Component Unit – School Board employees:						
July 1, 2007	\$ -	\$ 8,580,446	\$ 8,580,446	0.00%	\$ 18,790,639	45.66%
July 1, 2009	-	8,699,403	8,699,403	0.00%	21,181,247	41.07%

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 on an open basis.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **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

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#### **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, 2010 was \$543,984. 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, 2010 was \$1,761,860. 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

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#### **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 2010 contribution requirement and direct payments for special projects totaled \$1,054,289.

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 \$28,213 to ABIDCO for the fiscal year ended June 30, 2010.

#### **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 9, 2010, at a special meeting, City Council voted to raze the former church, which is owned by the City, and to erect a new Courthouse on that site. This was done as a reaction to the lawsuit brought against the City by the Circuit Court judges for the Judicial Court, relating to the adequacy of its Courthouse. The City remains hopeful that the matter can be resolved without a trial and began the process by conducting a feasibility study, which outlined options available to the City, ranging from renovating the present Courthouse to renovating the former church and relocating the Courthouse to that site. As noted above, the decision was made to demolish the church and build a new Courthouse, a project with an estimated cost of \$18 million. The Circuit Court judges have indicated that they will not have the court case tried as long as the City is proceeding toward a new Courthouse.



## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 19. Pending GASB Statements**

At June 30, 2010, 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. 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.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent-Multiple Employer Plans*, establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. In addition, it clarifies requirements of Statements 43 and 45 related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate. Statement No. 57 will be effective for periods beginning after June 15, 2011.

GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Statement No. 59 will be effective for periods beginning after June 15, 2010.

The City has not determined the financial reporting effect that any of these statements will have upon the City.



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## **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, 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%
June 30, 2009	40,527,343	50,213,558	9,686,215	80.71%	11,793,558	82.13%
B. Component Unit - School Board non-professional employees:						
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%
June 30, 2009	3,716,687	4,069,252	352,566	91.34%	1,163,174	30.31%

**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, 2007	\$ -	\$ 2,366,771	\$ 2,366,771	0.00%	\$ 9,432,548	25.09%
July 1, 2009	-	2,765,044	2,765,044	0.00%	11,145,672	24.81%
B. Component Unit - School Board employees:						
July 1, 2007	\$ -	\$ 8,580,446	\$ 8,580,446	0.00%	\$ 18,790,639	45.66%
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%
	2010	295,851	26.75%
B. Component Unit - School Board employees:			
	2009	\$ 715,536	48.71%
	2010	705,231	55.46%

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H

Page 1

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2010**

Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 17,974,764	\$ 17,974,764	\$ 17,590,749	\$ (384,015)
Real and personal public service corporation property	311,716	311,716	379,414	67,698
Personal property	1,945,820	1,945,820	2,169,560	223,740
Delinquent	749,369	749,369	812,470	63,101
Penalties and interest	235,000	235,000	207,656	(27,344)
<b>Total general property taxes</b>	<b>21,216,669</b>	<b>21,216,669</b>	<b>21,159,849</b>	<b>(56,820)</b>
Other local taxes:				
Communication sales and use	800,000	800,000	728,575	(71,425)
Food and lodging	4,967,395	4,967,395	5,105,057	137,662
Consumer utility	990,000	990,000	959,143	(30,857)
Bank stock	150,000	150,000	288,011	138,011
Local option sales and use	7,246,457	7,246,457	6,687,050	(559,407)
Recordation	250,000	250,000	175,405	(74,595)
<b>Total local taxes</b>	<b>14,403,852</b>	<b>14,403,852</b>	<b>13,943,241</b>	<b>(460,611)</b>
Permits, fees and licenses:				
Business and occupational licenses	2,801,244	2,801,244	2,761,474	(39,770)
Motor vehicle licenses	355,000	355,000	384,211	29,211
Zoning and construction permits	193,500	193,500	79,215	(114,285)
Other fees	45,050	60,050	96,003	35,953
<b>Total permits, fees and licenses</b>	<b>3,394,794</b>	<b>3,409,794</b>	<b>3,320,903</b>	<b>(88,891)</b>
Fines and forfeitures	556,500	556,500	707,554	151,054
Charges for services:				
Recreation use charges and fees	253,000	255,000	336,773	81,773
Administrative	1,113,401	1,113,401	1,083,759	(29,642)
Other	12,000	12,000	13,440	1,440
<b>Total charges for services</b>	<b>1,378,401</b>	<b>1,380,401</b>	<b>1,433,972</b>	<b>53,571</b>

## 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, 2010**

Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Revenue from local sources:				
Use of money and property:				
Interest	\$ 300,000	\$ 300,000	\$ 12,018	\$ (287,982)
Rental of property	12,000	12,000	35,130	23,130
Sale of commodities and property	5,000	5,000	401	(4,599)
<b>Total use of money and property</b>	<b>317,000</b>	<b>317,000</b>	<b>47,549</b>	<b>(269,451)</b>
Miscellaneous	515,100	44,010	195,415	151,405
Reimbursement from component unit	198,910	198,910	588,934	390,024
<b>Total revenue from local sources</b>	<b>41,981,226</b>	<b>41,527,136</b>	<b>41,397,417</b>	<b>(129,719)</b>
<b>Intergovernmental:</b>				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	1,753,369	1,753,369	1,753,369	-
Rolling stock tax	3,692	3,126	4,483	1,357
Rental vehicle tax	110,000	110,000	98,644	(11,356)
<b>Total non-categorical aid</b>	<b>1,867,061</b>	<b>1,866,495</b>	<b>1,856,496</b>	<b>(9,999)</b>
Categorical aid:				
Commissioner of Revenue	96,328	94,536	92,016	(2,520)
Treasurer	96,157	93,171	90,030	(3,141)
Circuit court	230,032	216,737	237,810	21,073
Sheriff	295,234	298,566	292,457	(6,109)
Commonwealth's attorney	477,757	456,694	435,229	(21,465)
Law enforcement	621,168	598,268	589,148	(9,120)
Street construction and maintenance	2,069,585	2,153,618	2,108,763	(44,855)
Other	384,238	409,301	373,303	(35,998)
<b>Total categorical aid</b>	<b>4,270,499</b>	<b>4,320,891</b>	<b>4,218,756</b>	<b>(102,135)</b>
<b>Total revenue from the Commonwealth</b>	<b>6,137,560</b>	<b>6,187,386</b>	<b>6,075,252</b>	<b>(112,134)</b>
Revenue from the federal government:				
Categorical aid	84,707	283,984	294,454	10,470
<b>Total intergovernmental</b>	<b>6,222,267</b>	<b>6,471,370</b>	<b>6,369,706</b>	<b>(101,664)</b>
<b>Total revenues</b>	<b>\$ 48,203,493</b>	<b>\$ 47,998,506</b>	<b>\$ 47,767,123</b>	<b>\$ (231,383)</b>

## 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, 2010

Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures:				
General government:				
City council	\$ 73,300	\$ 74,070	\$ 66,025	\$ (8,045)
Clerk of council	74,097	74,097	69,404	(4,693)
City manager	202,898	203,026	214,523	11,497
Human resources	107,563	107,563	94,274	(13,289)
City attorney	203,878	207,578	192,688	(14,890)
Real estate assessor	167,842	179,076	170,568	(8,508)
Commissioner of revenue	198,536	199,060	187,953	(11,107)
Treasurer	235,878	240,940	235,351	(5,589)
Finance	497,026	514,601	488,566	(26,035)
Information technologies	187,249	207,867	159,031	(48,836)
Auditing	166,420	138,860	136,676	(2,184)
Purchasing	145,771	148,366	76,499	(71,867)
Insurance and risk management	614,972	635,901	628,166	(7,735)
Employee benefits	4,409,927	4,435,927	4,593,869	157,942
Board of elections	25,017	24,867	21,913	(2,954)
Registrar	105,292	105,292	88,121	(17,171)
<b>Total general government</b>	<b>7,415,666</b>	<b>7,497,091</b>	<b>7,423,627</b>	<b>(73,464)</b>
Judicial administration:				
Circuit courts	349,168	353,859	341,372	(12,487)
General district court	60,352	60,352	109,899	49,547
Probation	6,250	6,778	4,716	(2,062)
Commonwealth's attorney	558,629	580,128	528,316	(51,812)
Sheriff	503,618	531,008	513,533	(17,475)
Incarceration	2,643,400	2,644,258	2,886,292	242,034
Community correction services	98,800	98,800	98,800	-
Community diversion services	58,800	58,800	58,708	(92)
<b>Total judicial administration</b>	<b>4,279,017</b>	<b>4,333,983</b>	<b>4,541,636</b>	<b>207,653</b>
Public safety:				
Bureau of police	3,551,002	3,643,571	3,407,383	(236,188)
Bureau of fire	2,897,319	3,084,814	2,936,937	(147,877)
Emergency preparedness	2,800	15,427	14,404	(1,023)
Communications	1,116,864	1,116,789	1,074,844	(41,945)
<b>Total public safety</b>	<b>7,567,985</b>	<b>7,860,601</b>	<b>7,433,568</b>	<b>(427,033)</b>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H  
Page 4GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2010

Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures:				
Public works:				
Administration	\$ 228,049	\$ 228,049	\$ 220,770	\$ (7,279)
Horticulture	85,201	87,704	81,375	(6,329)
Engineering division	518,296	510,559	453,886	(56,673)
Street maintenance	1,110,175	1,529,289	1,445,862	(83,427)
Building maintenance	492,422	502,265	470,503	(31,762)
Traffic engineering	191,540	196,004	168,547	(27,457)
Fleet maintenance	273,903	273,996	270,418	(3,578)
<b>Total public works</b>	<b>2,899,586</b>	<b>3,327,866</b>	<b>3,111,361</b>	<b>(216,505)</b>
Health and welfare:				
Health	143,750	143,750	144,050	300
Welfare	300,000	300,000	261,141	(38,859)
Comprehensive services	200,000	274,000	102,108	(171,892)
<b>Total health and welfare</b>	<b>643,750</b>	<b>717,750</b>	<b>507,299</b>	<b>(210,451)</b>
Parks, recreation and cultural:				
Parks and recreation	559,173	571,941	476,529	(95,412)
Parks and grounds	504,452	513,700	490,847	(22,853)
Agency on aging	252,668	259,985	243,455	(16,530)
Violet Bank Museum	91,787	92,257	71,123	(21,134)
Library	598,942	613,213	585,819	(27,394)
Recreation trips and classes	240,000	241,000	267,497	26,497
<b>Total parks, recreation and cultural</b>	<b>2,247,022</b>	<b>2,292,096</b>	<b>2,135,270</b>	<b>(156,826)</b>
Community development:				
Planning	239,628	253,399	233,487	(19,912)
Building inspections	203,581	203,805	193,655	(10,150)
Industrial development	92,000	92,000	95,045	3,045
<b>Total community development</b>	<b>535,209</b>	<b>549,204</b>	<b>522,187</b>	<b>(27,017)</b>
Education:				
Appropriation to component unit	18,566,698	18,566,698	18,566,698	-



## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit H  
Page 5GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2010

Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Expenditures:</b>				
<b>Grants:</b>				
Office of Youth	\$ 135,769	\$ 147,045	\$ 141,037	\$ (6,008)
Better Beginnings	4,000	4,000	2,162	(1,838)
Juvenile Crime	112,056	112,056	85,886	(26,170)
Victim Witness	71,667	73,274	52,365	(20,909)
CDBG	-	157,540	83,770	(73,770)
Kids After School Program	29,900	30,168	28,581	(1,587)
Other	-	4,000	3,829	(171)
<b>Total grants</b>	<b>353,392</b>	<b>528,083</b>	<b>397,630</b>	<b>(130,453)</b>
<b>Nondepartmental:</b>				
Contributions and subsidies	196,730	196,730	205,537	8,807
Contingencies and miscellaneous	314,200	237,087	52,525	(184,562)
<b>Total nondepartmental</b>	<b>510,930</b>	<b>433,817</b>	<b>258,062</b>	<b>(175,755)</b>
<b>Debt service:</b>				
Principal retirement	2,181,535	10,159,055	2,185,490	(7,973,565)
Interest and fiscal charges	1,035,806	1,109,960	1,029,750	(80,210)
<b>Total debt service</b>	<b>3,217,341</b>	<b>11,269,015</b>	<b>3,215,240</b>	<b>(8,053,775)</b>
<b>Total expenditures</b>	<b>48,236,596</b>	<b>57,376,204</b>	<b>48,112,578</b>	<b>(9,263,626)</b>
<b>Excess of revenues over   (under) expenditures</b>	<b>(33,103)</b>	<b>(9,377,698)</b>	<b>(345,455)</b>	<b>9,032,243</b>
<b>Other Financing Source (Uses):</b>				
Refunding bonds issued	-	8,051,674	6,943,864	(1,107,810)
Premium on issuance of debt	-	-	412,680	412,680
Payment to refunded bond escrow agent	-	-	(7,267,779)	(7,267,779)
Transfer in	-	-	331,518	331,518
<b>Transfers out:</b>				
Solid Waste	(80,000)	(80,000)	(80,000)	-
Storm Water Management	(254,568)	(254,568)	(254,568)	-
Capital Projects Fund	(136,500)	(136,500)	(36,500)	100,000
<b>Total other financing sources (uses), net</b>	<b>(471,068)</b>	<b>7,580,606</b>	<b>49,215</b>	<b>(7,531,391)</b>
<b>Net change in fund balance</b>	<b>(504,171)</b>	<b>(1,797,092)</b>	<b>(296,240)</b>	<b>1,500,852</b>
Fund Balance, beginning	504,171	1,797,092	8,684,350	6,887,258
Fund Balance, ending	\$ -	\$ -	\$ 8,388,110	\$ 8,388,110

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**Exhibit H  
Page 6**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2010**

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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, \$9,139,608 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**



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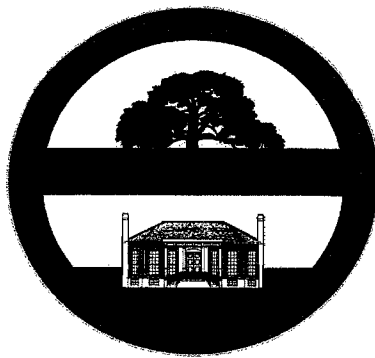
## **Nonmajor Proprietary Funds**

### **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.



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## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit I

**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2010**

	Solid Waste	Storm Water Management	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 78,136	\$ 101,155	\$ 179,291
Receivables, net	195,943	-	195,943
<b>Total current assets</b>	<b>274,079</b>	<b>101,155</b>	<b>375,234</b>
Noncurrent Assets:			
Capital assets, net	-	183,193	183,193
<b>Total assets</b>	<b>274,079</b>	<b>284,348</b>	<b>558,427</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	11,390	23,396	34,786
Accrued liabilities	186	1,564	1,750
Due to other funds	-	3,838	3,838
Compensated absences	-	3,386	3,386
Debt obligations, current	-	38,739	38,739
<b>Total current liabilities</b>	<b>11,576</b>	<b>70,923</b>	<b>82,499</b>
Noncurrent Liabilities:			
Compensated absences	-	1,985	1,985
Other postemployment benefits	2,217	2,397	4,614
Debt obligations	-	114,795	114,795
<b>Total noncurrent liabilities</b>	<b>2,217</b>	<b>119,177</b>	<b>121,394</b>
<b>Total liabilities</b>	<b>13,793</b>	<b>190,100</b>	<b>203,893</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	29,659	29,659
Unrestricted	260,286	64,589	324,875
<b>Total net assets</b>	<b>\$ 260,286</b>	<b>\$ 94,248</b>	<b>\$ 354,534</b>

## 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, 2010**

	Solid Waste	Storm Water Management	Totals
Operating Revenues:			
Charges for services	\$ 1,082,652	\$ -	\$ 1,082,652
Penalties and interest	13,975	-	13,975
<b>Total operating revenues</b>	<b>1,096,627</b>	<b>-</b>	<b>1,096,627</b>
Operating Expenses:			
Personnel	5,496	110,171	115,667
Fringe benefits	1,442	4,611	6,053
Heat, light and power	-	-	-
Repairs and maintenance	-	1,258	1,258
General materials and supplies	823	3,710	4,533
Contracted collection services	1,054,289	-	1,054,289
Depreciation and amortization	-	16,654	16,654
Other charges	112,744	86,100	198,844
<b>Total operating expenses</b>	<b>1,174,794</b>	<b>222,504</b>	<b>1,397,298</b>
<b>Operating loss</b>	<b>(78,167)</b>	<b>(222,504)</b>	<b>(300,671)</b>
Nonoperating Expense:			
Interest expense	-	(7,041)	(7,041)
<b>Total nonoperating expense</b>	<b>-</b>	<b>(7,041)</b>	<b>(7,041)</b>
<b>Loss before transfers</b>	<b>(78,167)</b>	<b>(229,545)</b>	<b>(307,712)</b>
Transfers in	80,000	254,568	334,568
<b>Change in net assets</b>	<b>1,833</b>	<b>25,023</b>	<b>26,856</b>
Net assets, beginning	258,453	69,225	327,678
Net assets, ending	\$ 260,286	\$ 94,248	\$ 354,534

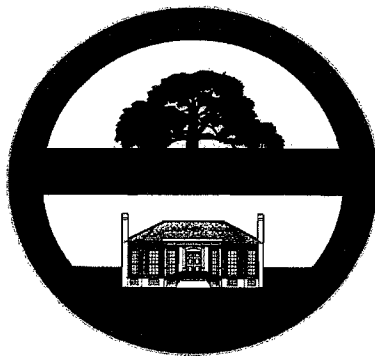


## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit K

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2010**

	Solid Waste	Storm Water Management	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,098,962	\$ -	\$ 1,098,962
Payments to suppliers for goods and services	(1,163,360)	(94,437)	(1,257,797)
Payments to employees for services	(5,699)	(111,064)	(116,763)
<b>Net cash used in operating activities</b>	<b>(70,097)</b>	<b>(205,501)</b>	<b>(275,598)</b>
Cash Flows From Noncapital Financing Activities:			
Transfers in	80,000	254,568	334,568
Advances from other funds	-	3,838	3,838
<b>Net cash provided by noncapital financing activities</b>	<b>80,000</b>	<b>258,406</b>	<b>338,406</b>
Cash Flows From Capital and Related Financing Activities:			
Principal paid on bond maturities and capital lease	-	(37,235)	(37,235)
Interest paid on bond maturities and capital lease	-	(7,041)	(7,041)
<b>Net cash used in capital and related financing activities</b>	<b>-</b>	<b>(44,276)</b>	<b>(44,276)</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,903</b>	<b>8,629</b>	<b>18,532</b>
Cash and Cash Equivalents			
Beginning	68,233	92,526	160,759
Ending	\$ 78,136	\$ 101,155	\$ 179,291
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (78,167)	\$ (222,504)	\$ (300,671)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	-	16,654	16,654
Change in assets and liabilities:			
Decrease in accounts receivable	2,335	-	2,335
Increase (decrease) in:			
Accounts payable	4,496	(679)	3,817
Accrued liabilities	1,239	1,028	2,267
<b>Net cash used in operating activities</b>	<b>\$ (70,097)</b>	<b>\$ (205,501)</b>	<b>\$ (275,598)</b>



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## **SUPPLEMENTAL SCHEDULES**

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS  
AND UNOBLIGATED BALANCE  
Year Ended June 30, 2010**

Project Name	Revenues & Resources					Expenditures & Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
<b>General Government</b>									
Allocable to Complete Projects:									
Fire Apparatus	\$ 141,585	\$ -	\$ -	\$ 64,341	\$ 205,926	\$ 205,926	\$ -	\$ -	\$ -
Library Renovation	2,821,695	-	(629)	-	2,821,066	2,821,066	-	-	-
Total	2,963,280	-	(629)	64,341	3,026,992	3,026,992	-	-	-
Allocable to Incomplete Projects:									
Beautification Committee/Tourism	173,870	-	(26,657)	5,360	152,573	133,743	-	-	18,830
Courts Building Needs Assessmen	590,000	-	-	-	590,000	141,488	20,428	68,150	359,934
Boulevard Redevelopmer	360,000	-	-	-	360,000	315,067	15,696	-	29,237
Total	1,123,870	-	(26,657)	5,360	1,102,573	590,298	36,124	68,150	408,001
Total General Government	4,087,150	-	(27,286)	69,701	4,129,565	3,617,290	36,124	68,150	408,001
<b>Recreational Facilities</b>									
Allocable to Complete Projects:									
Violet Bank Museum	63,759	-	(646)	-	63,113	63,113	-	-	-
Vocational School Sport Center	24,698	-	(15,452)	-	9,246	9,246	-	-	-
Senior Citiz/Youth Ctr	682,007	-	19,349	-	701,356	682,087	19,269	-	-
Total	770,464	-	3,251	-	773,715	754,446	19,269	-	-
Allocable to Incomplete Projects:									
Facilities Master Plar	205,000	-	-	-	205,000	147,762	-	-	57,238
Appomattox River Greenway	90,900	146,500	15,452	-	252,852	148,409	111,547	20,372	(27,476)
Total	295,900	146,500	15,452	-	457,852	296,171	111,547	20,372	29,762
Total Recreational Facilities	1,066,364	146,500	18,703	-	1,231,567	1,050,617	130,816	20,372	29,762
<b>Educational Facilities</b>									
Allocable to Incomplete Projects:									
Transfer to School CIP Program	7,500,000	-	-	-	7,500,000	6,655,602	31,373	-	813,025
Total	7,500,000	-	-	-	7,500,000	6,655,602	31,373	-	813,025
Total Educational Facilities	7,500,000	-	-	-	7,500,000	6,655,602	31,373	-	813,025
<b>Streets &amp; Bridges</b>									
Allocable to Complete Projects:									
Stormwater Drainage Improvement	210,488	-	-	-	210,488	210,488	-	-	-
Longhorn Drive Drainage	187,719	-	8,583	-	196,302	194,333	1,969	-	-
Access Road - Transfer Station	46,708	-	-	-	46,708	46,708	-	-	-
Yacht Basin Storm Sewer	14,235	-	-	-	14,235	14,235	-	-	-
Lexington Storm Sewer	33,172	-	-	-	33,172	33,172	-	-	-
Total	492,322	-	8,583	-	500,905	498,936	1,969	-	-

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS  
AND UNOBLIGATED BALANCE  
Year Ended June 30, 2010**

Project Name	Revenues & Resources					Expenditures & Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
<b><u>Streets &amp; Bridges (Cont'd)</u></b>									
Allocable to Incomplete Projects									
Safe Routes to School	-	17,600	-	314,948	332,548	-	17,600	-	314,948
Redevelopment Projec	53,292	-	-	-	53,292	15,915	12,397	251	24,729
Highway Construction-Local Share	12,561	-	-	-	12,561	-	-	-	12,561
Bruce Avenue Drainage	2,878,586	-	-	-	2,878,586	1,483,176	1,133,907	-	261,503
Boulevard Widening	701,333	-	-	6,666	707,999	700,894	-	-	7,105
Boulevard Matching Grant	150,000	-	-	125,000	275,000	22,064	9,952	7,107	235,877
Signal Coordination Temple/Sher	-	38,829	-	292,171	331,000	32,136	129,860	244,502	(75,498)
Paving Southpark ARRA	-	-	-	686,070	686,070	-	451,431	-	234,639
Dupuy Blvd Intersection	850,000	1,154,349	-	3,372,549	5,376,898	37,773	505,991	873,593	3,959,541
Total	4,645,772	1,210,778	-	4,797,404	10,653,954	2,291,958	2,261,138	1,125,453	4,975,405
Total Streets & Bridges	5,138,094	1,210,778	8,583	4,797,404	11,154,859	2,790,894	2,263,107	1,125,453	4,975,405
<b><u>Utility Improvements</u></b>									
Allocable to Complete Projects:									
Waterline Rehabilitation	722,053	-	-	-	722,053	722,053	-	-	-
Total	722,053	-	-	-	722,053	722,053	-	-	-
Total Utility Improvements	722,053	-	-	-	722,053	722,053	-	-	-
Total Capital Projects	18,513,661	1,357,278	-	4,867,105	24,738,044	14,836,456	2,461,420	1,213,975	6,226,193
Utility Improvements Related Projects	(722,053)	-	-	-	(722,053)	(722,053)	-	-	-
Total Projects - General Government	\$17,791,608	\$1,357,278	\$ -	\$4,867,105	\$24,015,991	\$14,114,403	\$2,461,420	\$1,213,975	\$6,226,193

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit M  
Page 1SCHEDULE OF BONDS, LEASES AND OTHER LONG-TERM LIABILITIES  
PRIMARY GOVERNMENT AND COMPONENT UNIT  
Year Ended June 30, 2010

		Effective Interest Rate %	Interest Due Dates	Date Issued	Final Maturity Date	2010-11 Principal Payment	Amount of Long-Term Liabilities			
							Authorized	Issued	Retired	Outstanding
General Obligation Serial Bonds:										
General Improvement Series	2002	4.00	06/1;12/1	10/01/02	12/1/2014	\$ 420,000	\$ 3,060,000	\$ 3,060,000	\$ 2,205,000	\$ 855,000
General Improvement Series	2004	3.00	06/1;12/1	10/15/2004	6/30/2019	400,000	6,500,000	6,500,000	1,830,000	4,670,000
General Improvement Series	2007	4.00	06/1;12/1	11/20/2007	6/30/2027	390,000	9,930,000	9,930,000	730,000	9,200,000
General Improvement Series	2008	3.25	06/1;12/1	10/23/2008	6/30/2014		3,970,000	3,970,000		3,970,000
General Improvement Series	2010	2.00	06/1;12/1	2/18/2010	12/1/2010	960,000	960,000	960,000		960,000
		2.00	06/1;12/1		12/1/2011		985,000	985,000		985,000
		3.50	06/1;12/1		12/1/2012		1,250,000	1,250,000		1,250,000
		4.00	06/1;12/1		12/1/2013		1,305,000	1,305,000		1,305,000
		2.50	06/1;12/1		12/1/2014		985,000	985,000		985,000
		4.00	06/1;12/1		12/1/2015		1,020,000	1,020,000		1,020,000
		3.00	06/1;12/1		12/1/2016		535,000	535,000		535,000
		4.00	06/1;12/1		12/1/2017		560,000	560,000		560,000
		Total General Obligation Serial Bonds						\$ 2,170,000	\$ 31,060,000	\$ 31,060,000

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit M

Page 2

**SCHEDULE OF BONDS, LEASES AND OTHER LONG-TERM LIABILITIES**  
**PRIMARY GOVERNMENT AND COMPONENT UNIT**  
**Year Ended June 30, 2010**

		Effective Interest Rate %	Interest Due Dates	Date Issued	Final Maturity Date	2010-11 Principal Payment	Amount of Long-Term Liabilities			
							Authorized	Issued	Retired	Outstanding
<b>Notes/Lease Payable</b>										
Equipment Purchase	2006	4.56	Quarterly	9/1/2006	06/15/11	\$ 28,095	\$ 129,837	\$ 129,837	\$ 101,784	\$ 28,053
Equipment Purchase	2009	3.98	Quarterly	4/23/2009	02/23/14	38,739	199,847	199,847	46,313	153,534
Total Notes/Lease Payable										<u>181,587</u>
<b>Accrued Leave</b>										<u>2,055,098</u>
Total Long-Term Liabilities										<u>\$ 28,531,685</u>
<b>Allocation of Long-Term Liabilities by Fund:</b>										
General										\$ 26,259,441
School										655,010
Enterprise										<u>1,617,234</u>
Total Long-Term Liabilities										<u>\$ 28,531,685</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit N

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2010**

	School Operating Fund	School Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 4,099,760	\$ -	\$ 4,099,760
Due from other governments	2,543,818	-	2,543,818
Inventories	28,563	-	28,563
Restricted cash	-	788,172	788,172
<b>Total assets</b>	<b>\$ 6,672,141</b>	<b>\$ 788,172</b>	<b>\$ 7,460,313</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 194,486	\$ -	\$ 194,486
Accrued liabilities	2,904,956	-	2,904,956
Due to primary government	287,982	-	287,982
Deferred revenue	632,498	-	632,498
<b>Total liabilities</b>	<b>4,019,922</b>	<b>-</b>	<b>4,019,922</b>
<b>FUND BALANCES</b>			
Reserved for:			
Inventories	28,563	-	28,563
Capital outlay	-	788,172	788,172
Unreserved:			
Designated for encumbrances	274,209	-	274,209
Designated for subsequent years' expenditures	1,902,587	-	1,902,587
Undesignated	446,860	-	446,860
<b>Total fund balances</b>	<b>2,652,219</b>	<b>788,172</b>	<b>3,440,391</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,672,141</b>	<b>\$ 788,172</b>	<b>\$ 7,460,313</b>
Total fund balances			\$ 3,440,391

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	\$ 31,860,268	
Less: accumulated depreciation and amortization	(14,352,061)	
Net capital assets		17,508,207

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	(655,010)	
Other postemployment benefits	(681,111)	
		(1,336,121)

**Net assets of the School Board's governmental activities** **\$ 19,612,477**



## 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, 2010**

	School Operating Fund	School Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Charges for services	\$ 432,265	\$ -	\$ 432,265
Use of money and property	2,885	-	2,885
Miscellaneous	248,249	-	248,249
Appropriation from primary government	18,566,698	31,372	18,598,070
Intergovernmental	14,186,550	-	14,186,550
<b>Total revenues</b>	<b>33,436,647</b>	<b>31,372</b>	<b>33,468,019</b>
<b>Expenditures:</b>			
<b>Education:</b>			
Administrative	1,567,026	-	1,567,026
Instruction	25,338,611	-	25,338,611
School plant	3,663,927	-	3,663,927
Transportation	783,523	-	783,523
Food service	910,316	-	910,316
Purchase of textbooks	129,693	-	129,693
Property, plant and materials	836,665	-	836,665
Reimbursement to primary government	588,934	-	588,934
Capital outlay	-	47,058	47,058
<b>Total expenditures</b>	<b>33,818,695</b>	<b>47,058</b>	<b>33,865,753</b>
<b>Net change in fund balances</b>	<b>(382,048)</b>	<b>(15,686)</b>	<b>(397,734)</b>
Fund Balances, beginning	3,034,267	803,858	3,838,125
Fund Balances, ending	\$ 2,652,219	\$ 788,172	\$ 3,440,391
Net change in fund balances			\$ (397,734)
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 and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.			
Expenditures for capital assets		\$ 626,065	
Less depreciation and amortization expense		(740,723)	
Excess of depreciation and amortization over capital outlays			(114,658)
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		(81,854)	
Other postemployment benefits		(314,143)	
Change in retirement incentive program		130,451	
			(265,546)
<b>Change in net assets of governmental activities</b>			<b>\$ (777,938)</b>

## 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, 2010**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 651,677	\$ 432,265	\$ 432,265	\$ -
Use of money and property:				
Interest on investments	30,600	2,885	2,885	-
Miscellaneous	193,970	248,180	248,249	69
Appropriation from primary government	18,566,698	18,566,698	18,566,698	-
<b>Total revenue from local sources</b>	<b>19,442,945</b>	<b>19,250,028</b>	<b>19,250,097</b>	<b>69</b>
<b>Intergovernmental:</b>				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	7,460,471	6,642,111	6,642,111	-
State sales tax	2,566,420	2,418,685	2,449,169	30,484
Other	3,399,501	3,153,528	3,153,528	-
	13,426,392	12,214,324	12,244,808	30,484
Revenue from the federal government:				
Categorical aid:				
Title I Grant	367,966	330,097	330,097	-
Title VI B Grant	869,346	970,688	752,642	(218,046)
State Fiscal Stabilization Fund Grant	907,345	460,877	317,194	(143,683)
Other	463,716	587,555	541,809	(45,746)
	2,608,373	2,349,217	1,941,742	(407,475)
<b>Total intergovernmental</b>	<b>16,034,765</b>	<b>14,563,541</b>	<b>14,186,550</b>	<b>(376,991)</b>
<b>Total revenues</b>	<b>35,477,710</b>	<b>33,813,569</b>	<b>33,436,647</b>	<b>(376,922)</b>
<b>Expenditures:</b>				
Education:				
Administration	1,582,371	1,573,366	1,567,026	(6,340)
Instruction	26,787,162	25,416,040	25,338,611	(77,429)
School plant	4,200,958	3,842,679	3,663,927	(178,752)
Transportation	800,227	783,333	783,523	190
Food service	962,230	876,399	910,316	33,917
Purchase of textbooks	245,941	138,569	129,693	(8,876)
Property, plant and materials	944,947	914,193	836,665	(77,528)
Contingencies	666,536	682,000	-	(682,000)
Reimbursement to primary government	301,300	600,952	588,934	(12,018)
<b>Total expenditures</b>	<b>36,491,672</b>	<b>34,827,531</b>	<b>33,818,695</b>	<b>(1,008,836)</b>
<b>Net change in fund balance</b>	<b>(1,013,962)</b>	<b>(1,013,962)</b>	<b>(382,048)</b>	<b>631,914</b>
Fund Balance, beginning	1,013,962	1,013,962	3,034,267	2,020,305
Fund Balance, ending	\$ -	\$ -	\$ 2,652,219	\$ 2,652,219

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit Q

STATEMENT OF ASSETS AND LIABILITIES - SCHOOL BOARD  
AGENCY FUND  
June 30, 2010

	School Activity Fund
<hr/>	
<b>ASSETS</b>	
Cash and investments	<u>\$ 312,233</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>\$ 312,233</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

Exhibit R

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL BOARD

AGENCY FUND

Year Ended June 30, 2010

Department	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>SCHOOL ACTIVITY FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 289,365	\$ 655,589	\$ 632,721	\$ 312,233
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 289,365	\$ 655,589	\$ 632,721	\$ 312,233

## **STATISTICAL SECTION**



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## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 1

**NET ASSETS BY COMPONENT**  
**Last Eight Fiscal Years (1)**  
*(accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 21,261,760
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)	6,429,655
<b>Total governmental activities net assets</b>	<b>\$ 36,833,216</b>	<b>\$ 37,867,407</b>	<b>\$ 28,209,038</b>	<b>\$ 28,947,164</b>	<b>\$ 32,071,906</b>	<b>\$ 28,630,097</b>	<b>\$ 27,672,910</b>	<b>\$ 27,691,415</b>
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	\$ 9,712,661
Unrestricted	3,126,722	164,326	261,242	992,359	810,543	641,715	674,952	164,831
<b>Total business-type activities net assets</b>	<b>\$ 9,206,718</b>	<b>\$ 9,485,085</b>	<b>\$ 9,684,226</b>	<b>\$ 9,959,148</b>	<b>\$ 9,988,353</b>	<b>\$ 9,804,264</b>	<b>\$ 10,023,569</b>	<b>\$ 9,877,492</b>
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	\$ 30,974,421
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)	6,594,486
<b>Total primary government net assets</b>	<b>\$ 46,039,934</b>	<b>\$ 47,352,492</b>	<b>\$ 37,893,264</b>	<b>\$ 38,906,312</b>	<b>\$ 42,060,259</b>	<b>\$ 38,434,361</b>	<b>\$ 37,696,479</b>	<b>\$ 37,568,907</b>
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	\$ 17,508,207
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	2,104,270
<b>Total Component Unit</b>	<b>\$ 7,280,713</b>	<b>\$ 7,695,218</b>	<b>\$ 10,298,491</b>	<b>\$ 10,362,969</b>	<b>\$ 12,500,176</b>	<b>\$ 18,010,399</b>	<b>\$ 20,390,415</b>	<b>\$ 19,612,477</b>
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	\$ 40,380,353
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	16,801,031
<b>Total Reporting Entity</b>	<b>\$ 53,320,647</b>	<b>\$ 55,047,710</b>	<b>\$ 48,191,755</b>	<b>\$ 49,269,281</b>	<b>\$ 54,560,435</b>	<b>\$ 56,444,760</b>	<b>\$ 58,086,894</b>	<b>\$ 57,181,384</b>

## 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 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."

Table 2  
Page 1

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

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 8,420,688
Judicial administration	3,381,683	3,514,009	3,755,313	3,618,242	3,758,743	4,401,401	4,453,918	4,622,336
Public safety	5,349,513	7,140,873	5,972,139	6,611,272	6,603,707	7,446,556	8,007,156	8,157,263
Public works	6,351,670	4,162,560	4,791,051	3,705,174	3,488,051	3,650,407	3,675,598	4,644,140
Health and welfare	518,825	491,837	571,565	727,289	905,641	716,096	593,946	511,097
Parks, recreation and cultural	1,830,344	1,778,567	600,181	2,049,025	1,755,411	2,350,085	2,450,217	2,420,733
Community development	255,761	349,923	301,989	367,863	575,426	580,574	571,243	613,699
Education	13,966,901	14,372,467	15,451,926	15,886,549	16,738,367	23,330,795	20,202,607	18,598,070
Interest	843,306	773,455	790,506	972,251	911,350	1,136,041	1,181,785	996,773
Grants	276,981	281,149	296,790	-	-	-	-	-
Nondepartmental	277,755	469,497	355,625	-	-	-	-	-
<b>Total governmental activities</b>	<b>37,627,085</b>	<b>38,187,104</b>	<b>40,208,532</b>	<b>40,327,419</b>	<b>41,367,978</b>	<b>51,229,088</b>	<b>49,212,029</b>	<b>48,984,799</b>
Business-type activities:								
Water and sewer	3,627,421	3,757,669	3,708,566	3,999,152	3,962,952	-	-	-
Water	-	-	-	-	-	1,610,037	1,625,950	1,692,407
Sewer	-	-	-	-	-	2,772,254	2,903,274	2,863,099
Solid waste	-	-	-	1,196,750	1,292,339	1,263,794	1,145,197	1,174,794
Storm water management	-	-	-	-	-	-	243,483	229,545
<b>Total business-type activities</b>	<b>3,627,421</b>	<b>3,757,669</b>	<b>3,708,566</b>	<b>5,195,902</b>	<b>5,255,291</b>	<b>5,646,085</b>	<b>5,917,904</b>	<b>5,959,845</b>
<b>Total government</b>	<b>41,254,506</b>	<b>41,944,773</b>	<b>43,917,098</b>	<b>45,523,321</b>	<b>46,623,269</b>	<b>56,875,173</b>	<b>55,129,933</b>	<b>54,944,644</b>
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	336,773
Other activities	653,784	1,110,040	1,035,840	1,074,769	5,068,830	5,001,743	5,234,826	5,125,656
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	5,102,144
Capital grants and contributions	200,000	-	720,042	190,254	-	-	151,333	1,320,778
<b>Total governmental activities program revenue</b>	<b>6,325,147</b>	<b>6,445,955</b>	<b>8,351,482</b>	<b>6,143,363</b>	<b>10,035,760</b>	<b>10,760,185</b>	<b>11,127,410</b>	<b>11,885,351</b>
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	1,640,431
Sewer	-	-	-	-	-	2,523,737	2,892,816	2,740,934
Solid waste	-	-	-	816,533	1,042,343	1,061,851	1,070,028	1,096,627
<b>Total business-type activities program revenues</b>	<b>3,681,958</b>	<b>4,021,033</b>	<b>3,877,189</b>	<b>4,568,355</b>	<b>4,884,529</b>	<b>5,248,779</b>	<b>5,732,737</b>	<b>5,477,992</b>
<b>Total government program revenues</b>	<b>10,007,105</b>	<b>10,466,988</b>	<b>12,228,671</b>	<b>10,711,718</b>	<b>14,920,289</b>	<b>16,008,964</b>	<b>16,860,147</b>	<b>17,363,343</b>
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)	(37,099,448)
Business-type activities	54,537	263,364	168,623	(627,547)	(370,762)	(397,306)	(185,167)	(481,853)
<b>Total government net expense</b>	<b>(31,247,401)</b>	<b>(31,477,785)</b>	<b>(31,688,427)</b>	<b>(34,811,603)</b>	<b>(31,702,980)</b>	<b>(40,866,209)</b>	<b>(38,269,786)</b>	<b>(37,581,301)</b>



## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 2

Page 2

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

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 21,409,820
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	6,687,050
Food and lodging	3,099,756	3,416,835	3,682,747	4,241,906	4,335,522	4,622,383	4,813,420	5,105,057
Other	3,315,429	4,594,719	4,980,434	2,017,427	1,983,102	2,211,189	2,097,530	2,151,134
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	1,856,496
Use of money and property	114,649	125,024	124,939	461,199	692,864	713,779	175,942	47,549
Miscellaneous	3,078	31,800	3,785	355,460	334,807	364,836	465,376	195,415
Transfers	-	-	-	(502,500)	(368,118)	(202,000)	(396,608)	(334,568)
<b>Total governmental activities</b>	<b>29,989,672</b>	<b>32,775,340</b>	<b>33,118,828</b>	<b>34,922,182</b>	<b>34,456,960</b>	<b>37,027,094</b>	<b>37,127,432</b>	<b>37,117,953</b>
Business-type activities:								
Use of money and property	12,089	9,655	26,155	48,233	31,849	11,217	7,864	1,208
Miscellaneous	5,023	5,348	4,363	351,736	-	-	-	-
Transfers	-	-	-	502,500	368,118	202,000	396,608	334,568
<b>Total business-type activities</b>	<b>17,112</b>	<b>15,003</b>	<b>30,518</b>	<b>902,469</b>	<b>399,967</b>	<b>213,217</b>	<b>404,472</b>	<b>335,776</b>
<b>Total primary government</b>	<b>30,006,784</b>	<b>32,790,343</b>	<b>33,149,346</b>	<b>35,824,651</b>	<b>34,856,927</b>	<b>37,240,311</b>	<b>37,531,904</b>	<b>37,453,729</b>
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)	18,505
Business-type activities	71,649	278,367	199,141	274,922	29,205	(184,089)	219,305	(146,077)
<b>Total primary government</b>	<b>\$ (1,240,617)</b>	<b>\$ 1,312,558</b>	<b>\$ 1,460,919</b>	<b>\$ 1,013,048</b>	<b>\$ 3,153,947</b>	<b>\$ (3,625,898)</b>	<b>\$ (737,882)</b>	<b>\$ (127,572)</b>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 2  
Page 3CHANGES IN NET ASSETS  
Last Eight Fiscal Years (1)  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 34,245,957
Program Revenues								
Charges for services	546,926	541,121	559,653	551,513	563,298	557,939	546,183	432,265
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	14,186,550
<b>Total program revenues</b>	<b>10,093,378</b>	<b>10,656,347</b>	<b>12,440,569</b>	<b>12,809,713</b>	<b>14,628,495</b>	<b>14,992,850</b>	<b>16,363,408</b>	<b>14,618,815</b>
<b>Net expense</b>	<b>(13,648,136)</b>	<b>(14,100,082)</b>	<b>(14,946,373)</b>	<b>(16,098,182)</b>	<b>(15,008,274)</b>	<b>(18,185,914)</b>	<b>(18,089,985)</b>	<b>(19,627,142)</b>
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	18,598,070
Use of money and property	16,543	7,948	22,084	70,338	283,982	97,462	12,036	2,885
Miscellaneous	178,593	214,614	218,320	205,773	123,132	267,880	255,358	248,249
<b>Total general revenues</b>	<b>14,060,475</b>	<b>14,514,587</b>	<b>14,724,817</b>	<b>16,162,660</b>	<b>17,145,481</b>	<b>23,696,137</b>	<b>20,470,001</b>	<b>18,849,204</b>
<b>Total component unit change in net assets</b>	<b>\$ 412,339</b>	<b>\$ 414,505</b>	<b>\$ (221,556)</b>	<b>\$ 64,478</b>	<b>\$ 2,137,207</b>	<b>\$ 5,510,223</b>	<b>\$ 2,380,016</b>	<b>\$ (777,938)</b>

## 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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>										
Reserved	\$ 1,239,337	\$ 904,785	\$ 934,635	\$ 868,769	\$ 907,105	\$ 42,867	\$ 50,977	\$ 54,779	\$ 45,085	\$ 56,571
Unreserved:										
Designated	684,749	641,702	678,431	289,099	613,629	1,386,363	1,251,658	720,761	305,505	344,001
Undesignated	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	7,987,538
<b>Total general fund</b>	<b>\$ 5,349,853</b>	<b>\$ 5,679,603</b>	<b>\$ 6,696,569</b>	<b>\$ 7,666,053</b>	<b>\$ 8,500,728</b>	<b>\$ 8,527,366</b>	<b>\$ 9,808,750</b>	<b>\$ 9,826,537</b>	<b>\$ 8,684,350</b>	<b>\$ 8,388,110</b>
<b>Other Governmental Funds</b>										
Reserved	\$ 1,571,347	\$ 1,844,780	\$ 1,623,941	\$ 1,149,211	\$ 2,229,837	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated:										
Capital Projects Fund	858,785	-	890,307	-	544,626	844,134	610,283	612,818	2,864,837	1,213,975
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	1,305,091
Special Revenue Fund	31,050	-	-	-	-	-	-	-	-	-
<b>Total other governmental funds</b>	<b>2,484,322</b>	<b>(692,872)</b>	<b>2,514,248</b>	<b>(52,875)</b>	<b>2,774,463</b>	<b>1,322,017</b>	<b>278,990</b>	<b>5,821,228</b>	<b>3,623,208</b>	<b>2,519,066</b>
<b>Total governmental funds</b>	<b>\$ 7,834,175</b>	<b>\$ 4,986,731</b>	<b>\$ 9,210,817</b>	<b>\$ 7,613,178</b>	<b>\$ 11,275,191</b>	<b>\$ 9,849,383</b>	<b>\$ 10,087,740</b>	<b>\$ 15,647,765</b>	<b>\$ 12,307,558</b>	<b>\$ 10,907,176</b>

Table 4  
Page 1

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>										
General property taxes	\$ 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	\$ 21,159,849
Other local taxes	-	-	-	-	-	-	-	14,080,755	13,909,768	13,943,241
Fines and forfeitures	249,349	262,745	397,597	409,557	376,808	371,758	490,709	566,042	731,615	707,554
Charges for services	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	1,433,972
Permits, fees and licenses	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	3,320,903
Use of money and property	438,261	203,188	185,782	137,520	139,710	461,199	692,864	713,779	175,942	47,549
Intergovernmental	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	7,690,484
Reimbursement from component unit	-	-	-	-	-	-	-	677,514	883,248	588,934
Miscellaneous	291,498	477,048	443,094	391,150	1,451,991	355,460	334,807	364,836	465,376	195,415
<b>Total revenues</b>	<b>33,152,595</b>	<b>34,863,780</b>	<b>36,046,870</b>	<b>39,085,028</b>	<b>41,308,277</b>	<b>42,060,693</b>	<b>45,206,206</b>	<b>47,463,696</b>	<b>48,447,516</b>	<b>49,087,901</b>
<b>Expenditures:</b>										
General government	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	7,423,627
Judicial administration	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	4,541,636
Public safety	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	7,433,568
Public works	3,210,728	3,361,541	3,461,989	3,466,254	3,859,187	2,790,479	3,011,234	2,596,771	3,031,589	3,111,361
Health and welfare	542,959	401,637	529,610	495,984	567,767	687,192	729,275	712,298	590,148	507,299
Parks, recreation and cultural	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	2,135,270
Community development	211,608	228,045	252,158	253,888	298,240	326,325	436,395	538,041	553,966	522,187
Education	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	18,598,070
Grants	337,568	394,596	277,377	281,149	292,285	353,295	482,590	406,310	435,331	397,630
Nondepartmental	251,258	758,047	274,717	361,514	355,625	286,130	283,190	467,976	279,042	258,062
<b>Debt service:</b>										
Principal retirement	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	2,185,490
Interest and fiscal charges	812,062	782,127	829,641	778,842	837,357	786,285	904,782	1,162,817	1,312,510	1,029,750
Bond issuance costs	-	-	48,614	3,000	3,000	-	-	-	-	-
<b>Capital expenditures</b>	<b>3,345,638</b>	<b>3,365,702</b>	<b>2,357,980</b>	<b>2,998,913</b>	<b>3,627,702</b>	<b>6,232,656</b>	<b>1,975,789</b>	<b>527,628</b>	<b>1,847,651</b>	<b>2,430,048</b>
<b>Total expenditures</b>	<b>35,589,669</b>	<b>37,758,224</b>	<b>37,807,394</b>	<b>40,682,667</b>	<b>43,301,262</b>	<b>46,954,302</b>	<b>44,599,732</b>	<b>51,701,671</b>	<b>55,361,115</b>	<b>50,573,998</b>
<b>Revenues over (under) expenditures</b>	<b>(2,437,074)</b>	<b>(2,894,444)</b>	<b>(1,760,524)</b>	<b>(1,597,639)</b>	<b>(1,992,985)</b>	<b>(4,893,609)</b>	<b>606,474</b>	<b>(4,237,975)</b>	<b>(6,913,599)</b>	<b>(1,486,097)</b>
<b>Other Financing Sources (Uses):</b>										
Premium on issuance of debt	-	-	-	-	-	-	-	-	-	412,680
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(7,267,779)
Issuance of debt	-	-	5,425,000	-	5,655,000	3,970,300	-	10,000,000	3,970,000	6,943,864
Transfers in	80,408	211,222	8,000	431,788	80,000	766,150	908,500	1,200,000	933,007	368,018
Transfers out	(80,408)	(164,222)	(8,000)	(431,788)	(80,000)	(1,268,650)	(1,276,618)	(1,402,000)	(1,329,615)	(371,068)
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>47,000</b>	<b>5,425,000</b>	<b>-</b>	<b>5,655,000</b>	<b>3,467,800</b>	<b>(368,118)</b>	<b>9,798,000</b>	<b>3,573,392</b>	<b>85,715</b>
<b>Net change in fund balances</b>	<b>\$ (2,437,074)</b>	<b>\$ (2,847,444)</b>	<b>\$ 3,664,476</b>	<b>\$ (1,597,639)</b>	<b>\$ 3,662,015</b>	<b>\$ (1,425,809)</b>	<b>\$ 238,356</b>	<b>\$ 5,560,025</b>	<b>\$ (3,340,207)</b>	<b>\$ (1,400,382)</b>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Eight Fiscal Years**  
**(modified accrual basis of accounting)**

**Table 4**  
**Page 2**

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Debt Service as a Percentage of Non-Capital Expenditures								
Primary Government								
Total Debt Service	\$ 2,153,653	\$ 2,443,936	\$ 2,660,652	\$ 3,111,699	\$ 2,583,340	\$ 2,835,744	\$ 7,395,387	\$ 3,215,240
Total Expenditures	37,807,394	40,682,669	43,301,262	46,954,302	44,599,732	51,701,671	55,361,115	50,573,998
Capital Expenditures - Primary Government Only	(1,216,776)	(3,099,812)	(3,226,624)	(6,703,133)	(4,353,934)	(1,518,495)	(3,265,514)	(2,289,455)
Non-Capital Expenditures	\$ 36,590,618	\$ 37,582,857	\$ 40,074,638	\$ 40,251,169	\$ 40,245,798	\$ 50,183,176	\$ 52,095,601	\$ 48,284,543
Debt Service as a Percentage of Non-Capital Expenditures - Primary Government Only	5.89%	6.50%	6.64%	7.73%	6.42%	5.65%	14.20%	6.66%
Component Unit - Public Schools								
School Expenditures, excluding City Contribution	\$ 10,290,762	\$ 10,717,984	\$ 12,513,816	\$ 13,021,346	\$ 14,468,036	\$ 13,672,606	\$ 17,417,113	\$ 15,267,683
Capital Expenditures - Public Schools	(1,711,402)	(683,313)	(349,214)	(509,001)	(1,017,186)	(4,295,018)	(3,539,692)	(626,065)
Non-Capital Expenditures	\$ 8,579,360	\$ 10,034,671	\$ 12,164,602	\$ 12,512,345	\$ 13,450,850	\$ 9,377,588	\$ 13,877,421	\$ 14,641,618
Total reporting entity								
Total debt service	\$ 2,153,653	\$ 2,443,936	\$ 2,660,652	\$ 3,111,699	\$ 2,583,340	\$ 2,835,744	\$ 7,395,387	\$ 3,215,240
Total non-capital expenditures	\$ 45,169,978	\$ 47,617,528	\$ 52,239,240	\$ 52,763,514	\$ 53,696,648	\$ 59,560,764	\$ 65,973,022	\$ 62,926,161
Debt Service as a Percentage of Non-Capital Expenditures - Total Reporting Entity	4.77%	5.13%	5.09%	5.90%	4.81%	4.76%	11.21%	5.11%

Notes:

- (1) The City implemented GASB 34 in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time. Debt service as a percentage of non-capital expenditures is calculated only from fiscal year 2003 for that reason.
- (2) In Virginia, the City issues debt to finance school projects because public schools do not have taxing or borrowing authority. Therefore, the debt service payments related to school projects are presented as debt service of the component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the Virginia school debt requirement.
- (3) Prior to the implementation of GASB 34, the City's contribution to public schools was reported as a transfer out. Implementation of GASB 34 required that the contribution to public schools be reported as education expenditures. For comparability, fiscal year 2001 and fiscal year 2002 have been restated to reflect contribution to public schools as education expenditures.
- (4) In fiscal year 2009, the City issued debt, which was used in turn, to pay the entire principal balance on an outstanding note, which is reflected in the current year issuance and principal retirement amounts being significantly larger than in prior years.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 5

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

Year	Real Property			Public Service(2)	Public Safety	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
	Residential Property(1)	Multi-Family Property	Commercial Property						
2001	\$ 567,063,500	\$ 31,040,300	\$ 319,052,900	\$ 31,622,949	\$ 5,580,300	\$ 954,359,949	\$ 2.60	\$ 954,359,949	100.00%
2002	625,789,300	34,254,700	340,626,600	32,338,602	6,760,500	1,039,769,702	2.64	1,039,769,702	100.00%
2003	683,159,900	38,005,200	346,457,300	32,250,270	3,457,900	1,103,330,570	2.64	1,103,330,570	100.00%
2004	681,053,100	42,963,900	384,550,700	31,003,999	3,457,900	1,143,029,599	2.64	1,143,029,599	100.00%
2005	693,044,400	42,963,900	399,365,900	30,383,492	3,457,900	1,169,215,592	2.64	1,169,215,592	100.00%
2006	814,763,800	85,367,800	445,687,100	28,182,168	-	1,374,000,868	2.60	1,374,000,868	100.00%
2007	829,706,600	85,303,900	462,662,600	28,857,670	-	1,406,530,770	2.60	1,406,530,770	100.00%
2008	1,025,744,200	97,651,400	530,801,900	26,781,992	-	1,680,979,492	2.44	1,680,979,492	100.00%
2009	1,029,811,100	97,597,000	546,792,700	28,481,719	-	1,702,682,519	2.44	1,702,682,519	100.00%
2010	1,031,967,800	96,461,100	549,782,600	29,896,895	-	1,708,108,395	2.44	1,708,108,395	100.00%

## 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	Total Direct Tax Rates
2001	\$ 1.20	\$ 1.20	\$ 0.20	\$ 2.60
2002	1.20	1.20	0.24	2.64
2003	1.20	1.20	0.24	2.64
2004	1.20	1.20	0.24	2.64
2005	1.20	1.20	0.24	2.64
2006	1.18	1.18	0.24	2.60
2007	1.18	1.18	0.24	2.60
2008	1.10	1.10	0.24	2.44
2009	1.10	1.10	0.24	2.44
2010	1.10	1.10	0.24	2.44

Note:

(1) There is no overlapping government taxation.

Table 7

**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Taxpayer	Fiscal Year					
	2010			2001		
	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	\$ 70,487,426	1	4.19%	\$ 51,491,410	1	5.40%
Roslyn Farms Corporation	44,805,426	2	2.67%	20,456,905	3	2.14%
Roslyn Farms Associates LP	24,870,100	3	1.48%	16,894,700	4	1.77%
Wal-Mart Properties, Inc.	22,297,261	4	1.33%	21,877,342	2	2.29%
Dunlop House	14,281,700	5	0.85%	-	-	-
Colonial Heights Operations (Nursing Home)	12,635,815	6	0.75%	-	-	-
Faison-Colonial Retail Assoc., Etc.	12,332,091	7	0.73%	11,104,320	6	1.16%
Southpark Hi LLC	10,948,162	8	0.65%	-	-	-
Southpark Hotel LLC/Hilton Garden	11,535,701	9	0.69%	-	-	-
VA Electric & Power Co.	11,630,395	10	0.69%	9,720,874	7	1.02%
Home Depot, USA	-	-	-	9,040,671	8	0.95%
Bell Atlantic	-	-	-	15,008,291	5	1.57%
Dayton Hudson Corp.	-	-	-	7,114,894	9	0.75%
Roslyn Converters	-	-	-	6,006,361	10	0.63%
<b>Total</b>	<b>\$ 235,824,077</b>		<b>14.03%</b>	<b>\$ 168,715,768</b>		<b>17.68%</b>



CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 8

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

Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as Percent of Current Levy
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%
2009	22,923,361	22,705,560	99.05%	204,157	22,909,717	99.94%

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)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Apparel	\$ 44,326	\$ 42,799	\$ 44,509	\$ 43,858	\$ 49,014	\$ 40,413	\$ 85,969	\$ 56,839	\$ 55,303	\$ 59,414
Automotive	17,823	22,239	24,061	24,829	24,735	23,187	24,227	13,563	14,817	14,554
Food	88,463	86,202	87,714	91,310	92,098	85,495	49,300	107,331	116,997	118,561
Furniture, Home Furnishings and Equipment	19,117	42,726	45,764	51,901	52,337	31,649	57,665	55,986	8,313	9,186
General Merchandise	250,949	248,094	254,681	264,190	269,381	227,277	234,775	295,155	293,417	279,137
Machinery, Equipment and Supplies	5,706	6,684	6,696	6,877	8,608	6,228	42,413	46,438	43,189	39,068
Miscellaneous	101,356	93,904	100,299	108,466	123,636	162,351	176,341	114,937	86,177	69,668
<b>Total</b>	<b>\$ 527,740</b>	<b>\$ 542,648</b>	<b>\$ 563,724</b>	<b>\$ 591,431</b>	<b>\$ 619,809</b>	<b>\$ 576,600</b>	<b>\$ 670,690</b>	<b>\$ 690,249</b>	<b>\$ 618,213</b>	<b>\$ 589,588</b>
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 2009 and 2000

(taxable sales in thousands of dollars)

(Unaudited)

	Calendar Year 2009				Calendar Year 2000			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	71	13.7%	\$ 59,414	10.1%	58	10.0%	\$ 44,326	8.4%
Automotive	15	2.9	14,554	2.5	33	5.7	17,823	3.4
Food	102	19.6	118,561	20.1	96	16.5	88,463	16.8
Furniture, Home Furnishings and Equipment	14	2.7	9,186	1.6	32	5.5	19,117	3.6
General Merchandise	76	14.6	279,137	47.3	49	8.4	250,949	47.6
Machinery, Equipment and Supplies	20	3.8	39,068	6.6	34	5.8	5,706	1.1
Miscellaneous	222	42.7	69,668	11.8	280	48.1	101,356	19.2
<b>Total</b>	<b>520</b>	<b>100.0%</b>	<b>\$ 589,588</b>	<b>100.0%</b>	<b>582</b>	<b>100.0%</b>	<b>\$ 527,740</b>	<b>100.0%</b>
City Direct Local Option Sales Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

**Source:** Virginia Department of Taxation.

**Note:**

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 11

## RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Note Payable	Capital Leases	General Obligation Bonds	Capital Leases			
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	0.93%	1,324
2008	24,997,685	3,970,300	-	2,297,315	80,618	31,345,918	1.19%	1,761
2009	26,855,108	-	-	1,999,892	245,697	29,100,697	*	1,645
2010	24,929,795	-	-	1,365,205	181,587	26,476,587	*	1,468

General bonded debt outstanding:

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
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
2010	26,295,000	1.56%	1,458

\* Unavailable

Note:

(1) Population data can be found in Table 13

CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 12

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

	Fiscal Year June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Value of Property	\$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	\$ 1,708,108,395
Debt Limit, 10% of assessed value (statutory limitation)	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	170,810,840
Amounts of Debt Applicable to Limit General Obligation Bonds	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	26,295,000
Available Legal Debt Margin	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	144,515,840
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	19.38%	15.85%	19.40%	17.09%	20.41%	15.47%	13.74%	16.24%	16.95%	15.39%
Bonded Debt Per Capita	\$ 1,095	\$ 975	\$ 1,239	\$ 1,118	\$ 1,358	\$ 1,200	\$ 1,093	\$ 1,534	\$ 1,631	\$ 1,458

Notes:

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 13

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Calendar Years**  
**(Unaudited)**

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
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	2,515,436	32,919	2,856	3.30%
2008	17,796	2,635,768	34,187	2,847	4.80%
2009	17,693	*	*	2,881	8.70%
2010	18,035	*	*	2,836	8.60%

**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 Nine Years Ago  
(Unaudited)**

Employer	Fiscal Year 2010		Fiscal Year 2001	
	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	100 to 249	
J.C. Penney Corporation, Inc.	100 to 249	5	100 to 249	4
Red Lobster & Olive Garden	100 to 249	6	100 to 249	
Care Advantage	100 to 249	7	100 to 249	
Sears Roebuck & Company	100 to 249	8	100 to 249	8
Target Corp	100 to 249	9		
Priority Imports Richmond Inc	100 to 249	10	100 to 249	
Specialty Care Services, Inc.			100 to 249	5
May Department Stores Company			100 to 249	6
Herbert L. Seal Etal			100 to 249	7
Ukrop's Super Markets			100 to 249	9
Dillard's Department Store			100 to 249	10

**Source:**

1 Virginia Employment Commission

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Table 15

**FULL-TIME EMPLOYEES**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government:</b>										
<b>Management services:</b>										
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	1
City attorney	2	2	2	2	2	2	2	2	2	2
Total	5	6	6	6	6	6	6	6	6	6
<b>Tax collections:</b>										
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
<b>Finance:</b>										
Administration	5	5	5	6	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	9	9	9	9	9	9	9
<b>Information technology</b>										
	2	2	2	2	2	2	2	2	2	2
<b>Board of elections</b>										
	2	2	2	2	2	2	2	2	2	2
<b>Judicial Administration:</b>										
Circuit court	5	5	5	5	5	5	5	5	5	5
Commonwealth's attorney	5	5	6	6	6	6	8	9	9	8
Sheriff	9	8	8	8	8	8	8	8	8	8
Total	19	18	19	19	19	19	21	22	22	21
<b>Public Safety:</b>										
Bureau of police	51	51	52	52	53	54	54	54	54	52
Bureau of fire	31	31	41	41	41	44	44	44	45	45
Communications	13	13	15	15	15	17	17	17	18	17
Total	95	95	108	108	109	115	115	115	117	114



Public Works:										
Administration	2	2	2	2	2	2	2	2	2	2
Engineering	5	5	6	6	6	6	6	6	6	5
Street maintenance	14	14	13	13	13	13	15	15	15	15
Traffic engineering	2	2	2	2	2	2	2	2	2	2
Building maintenance	1	1	1	1	1	1	1	1	1	1
Solid waste management	1	1	1	1	1	1	1	-	-	-
Fleet maintenance	4	4	4	4	4	4	4	4	4	4
Total	29	29	29	29	29	29	31	30	30	29
Parks, Recreation and Cultural:										
Parks and recreation	11	11	11	11	11	11	11	11	11	11
Agency on aging	5	5	5	5	5	5	5	5	5	5
Horticulture	-	-	-	-	-	1	1	1	1	1
Museum	1	1	1	1	1	1	1	1	1	1
Library	7	8	8	7	7	7	7	7	7	7
Total	24	25	25	24	24	25	25	25	25	25
Community Development:										
Planning	1	2	2	2	2	2	2	3	3	2
Inspections	4	3	3	3	3	3	3	3	3	3
Total	5	5	5	5	5	5	5	6	6	5
Grants:										
Office on Youth	2	2	2	2	2	2	2	2	2	2
Juvenile crime	2	2	2	2	2	2	2	2	2	2
Victim witness	1	1	1	1	1	1	1	1	1	1
Total	5	5	5	5	5	5	5	5	5	5
Total general government	205	206	220	220	221	228	232	233	235	229
Education:										
Teachers and administrators	237	241	253	273	271	282	282	291	298	300
Other employees	248	265	270	282	307	287	304	285	327	327
Total	485	506	523	555	578	569	586	576	625	627
Total Full-Time Employees	690	712	743	775	799	797	818	809	860	856

**Source:**

1 City Adopted Budgets

**Table 16**

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

[illegible]

Library:										
Volumes in collection	60,000	61,000	61,000	61,000	61,000	63,641	64,736	63,245	62,422	62,474
Community Development:										
Building permits issued - calendar	272	284	277	273	241	272	242	237	N/A	N/A
Value	11,608,618	13,879,595	19,047,068	14,652,954	17,242,824	18,932,440	21,972,520	12,636,904	N/A	N/A
Education:										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buildings	1	1	1	1	1	1	1	1	1	1

#### Sources:

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



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## **COMPLIANCE SECTION**

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>		
<u>Pass-through payments:</u>		
<u>Department of Agriculture, Food and Nutrition Service:</u>		
Child Nutrition Cluster:		
Commodity Distribution	10.555	\$ 40,462
<u>Department of Education:</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	85,797
National School Lunch Program	10.555	326,624
		<u>412,421</u>
<b>Total Department of Agriculture</b>		<u>452,883</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
<u>Direct payment:</u>		
<u>Office of Community Planning and Development:</u>		
Community Development Block Grants	14.218	76,099
Community Development Block Grants -- ARRA	14.253	23,510
<b>Total Department of Housing and Urban Development</b>		<u>99,609</u>
<b>DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:</b>		
<u>Direct payments:</u>		
<u>Department of Justice</u>		
ARRA - Edward Byrne Memorial Justice Assistance Grant/JAG Program	16.804	26,335
<u>Pass-through payments:</u>		
<u>Bureau of Justice Assistance:</u>		
Crime Victim Assistance	16.575	53,574
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,598
		<u>55,172</u>
<u>Office of Juvenile Justice and Delinquency Prevention</u>		
Enforcing Underage Drinking Laws Program	16.727	2,787
<b>Total Department of Justice</b>		<u>84,294</u>
<b>DEPARTMENT OF TRANSPORTATION:</b>		
<u>Pass-through payments:</u>		
<u>National Highway Traffic Safety Administration:</u>		
State and Community Highway Safety	20.600	5,125
Alcohol Open Container Requirements	20.607	18,386
		<u>23,511</u>
<u>Federal Highway Administration:</u>		
Highway Planning and Construction	20.205	1,197,718
Recreational Trails Program	20.219	100,000
		<u>1,297,718</u>
<b>Total Department of Transportation</b>		<u>1,321,229</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Page 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>DEPARTMENT OF EDUCATION:</b>		
<u>Direct payments:</u>		
<u>Office of Elementary and Secondary Education:</u>		
Impact Aid	84.041	\$ 17,972
<u>Pass-through payments:</u>		
<u>Office of Elementary and Secondary Education:</u>		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	267,796
ARRA - Title I Grants to Local Educational Agencies	84.389	62,301
Educational Technology State Grants Cluster:		
Education Technology State Grants	84.318	2,007
ARRA - Education Technology State Grants	84.386	9,674
English Language Acquisition Grants	84.365	19,883
Improving Teacher Quality State Grants	84.367	86,208
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	623,936
		<u>1,071,805</u>
<u>Office of Special Education and Rehabilitative Services:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	657,819
Special Education - Preschool Grants	84.173	14,334
ARRA - Special Education - Grants to States	84.391	295,868
		<u>968,021</u>
<u>Office of Vocational and Adult Education:</u>		
Career and Technical Education Basic Grants to States	84.048	39,390
<b>Total Department of Education</b>		<u>2,097,188</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
<u>Pass-through payments:</u>		
<u>Centers for Disease Control and Prevention:</u>		
Public Health Emergency Preparedness	93.069	18,250
<b>Total Department of Health and Human Services</b>		<u>18,250</u>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>		
<u>Pass-through payments:</u>		
<u>Department of Homeland Security:</u>		
Non-Profit Security Program	97.008	42,766
Emergency Management Performance Grant	97.042	5,000
<b>Total Department of Homeland Security</b>		<u>47,766</u>
<b>Total Federal Awards Expended</b>		<u>\$ 4,121,219</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, Special Education, Title I, Part A, and Education Technology State Grants.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**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 \$40,462 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, 2010, and have issued our report thereon dated December 30, 2010. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting as item 10-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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 30, 2010.

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 30, 2010



**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, 2010. 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, 2010.

### 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-02 and 10-03 to be material weaknesses.

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

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 30, 2010

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**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 deficiencies identified that are not considered to be material weaknesses	<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>
84.394	ARRA – State Fiscal Stabilization Fund – Education State Grants
20.205	Highway Planning and Construction

**Special Education Cluster:**

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

**Title I, Part A Cluster:**

84.010	Title I Grants to Local Educational Agencies
84.389	ARRA – Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?        Yes   √   No

CITY OF COLONIAL HEIGHTS, VIRGINIA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

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

A. Significant Deficiency in Internal Control

10-01: Significant Deficiency in Internal Control over the Timely Financial Reporting of Property Taxes

**Requirement:** Reconciliation of schedules supporting and agreeing to the general ledger must be prepared timely for accurate financial reporting and accountability. 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 reconciling the City's largest revenue source, property taxes. However, these schedules were not received until late in our audit fieldwork, and although they were deemed to be materially correct at that point, the timing was significantly delinquent considering the City's year end.

**Effect:** We observed that, although the reconciliations were materially correct upon receipt, that it is difficult for the City to place a great deal of reliance in their largest revenue source with any proximity to year end, due to the fact that the reconciliation process is delayed so long subsequent to year end.

**Recommendation:** We suggest that the process of reconciling taxes be performed more closely to the end of the City's fiscal year. This will allow the City to make more timely investigations in instances in which amounts do not agree, and are deemed to be further collectible.

CITY OF COLONIAL HEIGHTS, VIRGINIA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

III. FINDINGS RELATING TO THE AUDIT OF FEDERAL AWARDS AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

A. Compliance Finding

None

B. Material Weakness in Internal Control over Compliance

10-02: Material Weakness in Internal Control over Compliance regarding the Proper Identification of ARRA funds

**Requirement:** Under the American Recovery and Reinvestment Act of 2009 (ARRA) and the related OMB Guidance, recipients of federal awards are required to have properly identified ARRA awards, including complying with additional requirement of funds received under the ARRA.

**Condition:** In the process of performing our audit, we determined instances in which grant funds received were believed to be ARRA funds but, as a result of audit procedures, were subsequently found to be non-ARRA receipts. Additionally, we noted an instance where funds received under the ARRA were included with and not separately identified from, federal funds received under a non-ARRA grant.

**Effect:** We observed that this lack of separate identification of ARRA funds, as well as additional requirements pertaining thereto, is in direct violation of the American Recovery and Reinvestment Act of 2009, and its underlying accountability.

**Recommendation:** We suggest that the City departments applying for grants, and subsequently receiving and spending funds under these awards, be held accountable to the department charged with the proper reporting of these funds, i.e. the Finance Department. Additionally, the Finance Department may wish to periodically communicate with the departments throughout the year to eliminate additional burden from attempting to identify the sources of these funds for year-end reporting. Departments receiving the funds should have the information readily available for this, due to the fact that they will likely need to have separate identification of these funds, in order ensure their compliance with the additional requirements under the ARRA.



CITY OF COLONIAL HEIGHTS, VIRGINIA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

III. FINDINGS RELATING TO THE AUDIT OF FEDERAL AWARDS AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

B. Material Weakness in Internal Control over Compliance (Continued)

10-03: Material Weakness in Internal Control over Compliance relating to Overall Financial Reporting of Federal Awards

**Requirement:** The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. This includes proper identification of Federal awards, either direct or pass-through.

**Condition:** In the process of performing our audit, we obtained a Schedule of Expenditures of Federal Awards in order to apply our testing. Upon testing this schedule, we determined instances in which amounts that were included were not Federal funds and should not have been included; additional funds tested were in fact Federal funds, and were not included on the initial schedule; receivables and deferrals of Federal funds were not properly accounted for; and funds that were ARRA funds were not properly identified as such.

**Effect:** We observed that this lack of proper and timely identification of Federal funds disallowed for a greater accountability of the Federal awards received and expended under these grants. Material audit adjustments were necessary in order to properly report these Federal awards as of year-end.

**Recommendation:** We suggest that the City make a timelier attempt at identifying the proper classification of its revenue sources, particularly those received from grant funding. Additionally, in order to ensure compliance with the requirements of the grants, communication needs to be greatly increased between departments receiving grants and the Finance Department. Ultimately, a thorough review of the Schedule of Expenditures of Federal Awards, and a concurrent review should be performed to ensure the accuracy of this schedule, prior to provision for audit.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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**CORRECTIVE ACTION PLAN**

**Year Ended June 30, 2010**

Identifying Number:

10-01

Finding:

Reconciliation of schedules supporting and agreeing to the general ledger must be prepared timely for accurate financial reporting and accountability.

Corrective Actions Taken or Planned:

During fiscal year 2010, the reconciliation process was transferred from the Treasurer's office to the Finance Department. After this transfer, the Director of Finance was required to be the Acting City Manager and had turnover in this small department, which indirectly led to the above finding. Management understands the need for timely and accurate reconciliation of tax revenues and will correct this finding.

Identifying Number:

10-02

Finding:

Under the American Recovery and Reinvestment Act of 2009 (ARRA) and the related OMB Guidance, recipients of federal awards are required to have properly identified ARRA awards, including complying with additional requirement of funds received under the ARRA.

Corrective Actions Taken or Planned:

The City has held the Department's responsible for applying for grants to be charged with the proper reporting of these funds. In one case, the problem occurred due to the turnover in a departmental position, but the City will continue to review the process during the year to ensure that correct procedures are followed.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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**CORRECTIVE ACTION PLAN  
Year Ended June 30, 2010**

Identifying Number:

10-03

Finding:

The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. This includes proper identification of Federal awards, either direct or pass-through.

Corrective Actions Taken or Planned:

The City has held the Departments responsible for applying for grants to be charged with the proper reporting of funds. Incorrect information was received by departments overseeing certain grants, and was incorrectly provided and updated by Finance. The City will be reviewing this information during the year to ensure that proper procedures are followed.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2010**

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**

**09-01**

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

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.