

# CITY OF POQUOSON

Virginia

## Comprehensive Annual Financial Report

Fiscal Year July 1, 2006 — June 30, 2007



***Comprehensive Annual  
Financial Report***

***City of Poquoson, Virginia***



***Fiscal Year Ended June 30, 2007***

***Prepared by:***

***The Department of Finance***



Certified Public Accountants  
Financial Planning  
Specialized Services

*City of Poquoson, Virginia*  
*Government Officials*

**City Council**

Gordon C. Helsel, Jr., Mayor  
Arthur V. Holloway, Jr., Vice Mayor  
Herbert R. Green, Jr.  
Carey L. Freeman  
W. Eugene Hunt, Jr.  
Frank A. Kreiger  
E. Thomas Meree

**City Officials**

Charles W. Burgess, Jr., City Manager  
Lisa K. Dessoify, CPA, Director of Finance  
Michael E. McGraw, Treasurer  
Graham P. Wilson, Commissioner of the Revenue  
D. Wayne Moore, City Attorney  
Judy F. Wiggins, City Clerk

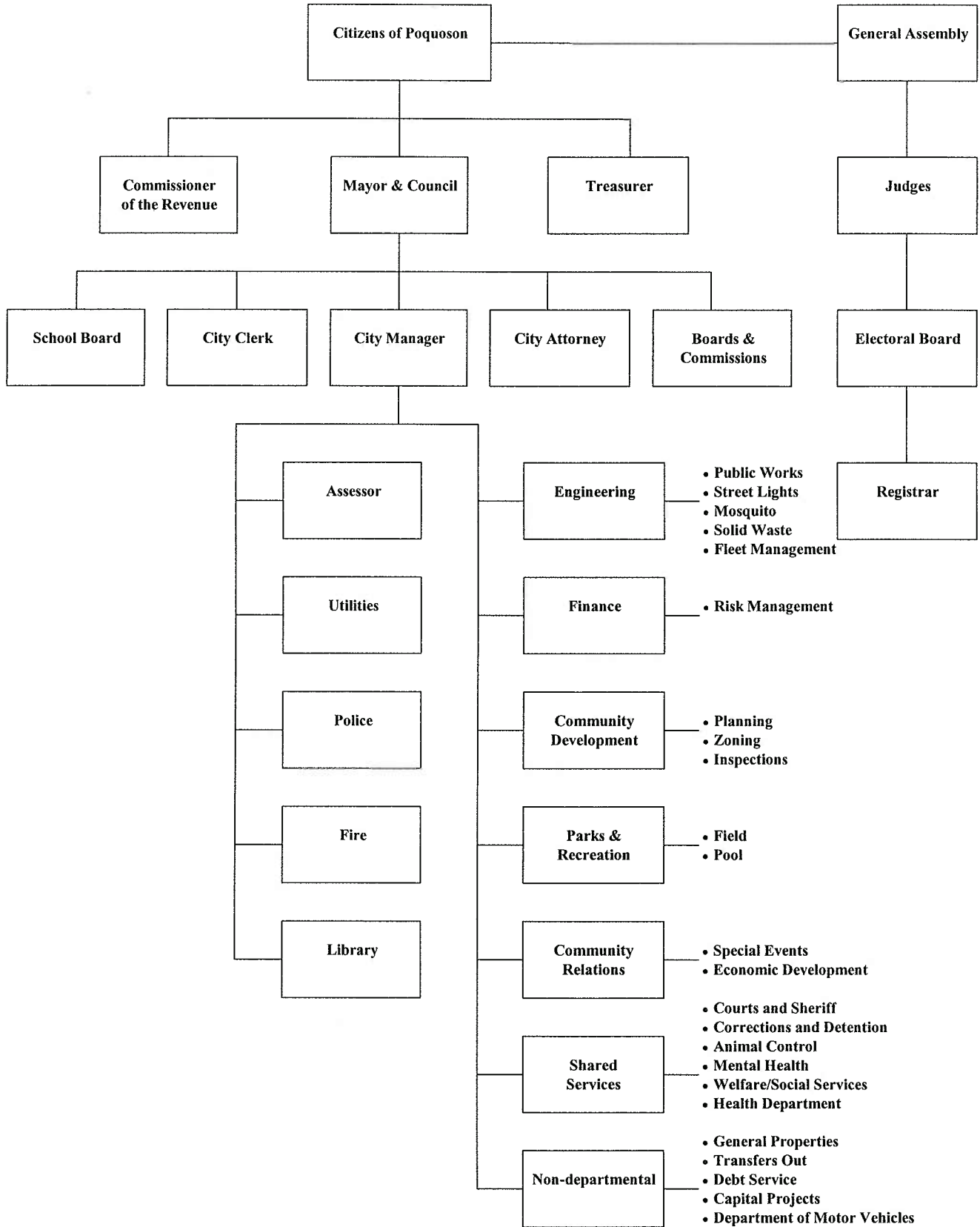
**School Board**

John A. Costulis, Chair  
Deborah Ann Banton  
Kerry Y. Knowlton  
Constance B. Sledd  
Beth A. Wilson  
R. Scott Diggs

**School Officials**

Dr. Jonathan L. Lewis, Superintendent  
Dr. Marilyn F. Barr, Assistant Superintendent of Instruction  
Janet A. Brown, Executive Director of Business and Finance

**CITY OF POQUOSON, VIRGINIA**  
CITY GOVERNMENT ORGANIZATION CHART





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Poquoson  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President

Executive Director

**City of Poquoson, Virginia**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2007**

**Table of Contents**

	<b>Exhibit</b>	<b>Page</b>
<b>Introductory Section</b>		
Government Officials .....		i
City Government Organization Chart .....		ii
Certificate of Achievement for Excellence in Financial Reporting .....		iii
Table of Contents .....		iv - v
Letter of Transmittal to City Council .....		vi - x
<b>Financial Section</b>		
Report of Independent Auditors .....		1 - 2
Management's Discussion and Analysis .....		3 - 17
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets .....	A	18
Statement of Activities .....	B	19
Governmental Funds Financial Statements:		
Balance Sheet – Governmental Funds .....	C	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	C	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	D	22
Reconciliation of the Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	D	23
Statement of Net Assets – Proprietary Funds .....	E	24
Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Proprietary Funds .....	F	25
Statement of Cash Flows – Proprietary Funds .....	G	26
Statement of Fiduciary Net Assets .....	H	27
Combining Statement of Net Assets – Component Units .....	I	28
Combining Statement of Activities – Component Units .....	J	29
Notes to the Basic Financial Statements .....		30 - 53
Required Supplementary Information		
Budgetary Comparison Schedule – General Fund .....	K	54 - 57
Schedules of Funding Progress and Employer Contributions – Virginia Retirement System .....	L	58
Notes to Required Supplementary Information .....		59
Other Supplementary Information		
Combining Balance Sheet – Component Unit – School Board .....	1	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – School Board .....	2	61
Budgetary Comparison Schedule – General Fund – School Board .....	3	62
Schedule of Changes in Capital Assets by Function and Activity – School Board .....	4	63
Combining Schedule of Changes in Assets and Liabilities – Agency Funds Discretely Presented Component Unit – School Board .....	5	64

## City of Poquoson, Virginia

### Table of Contents (Continued)

	Schedule	
<i>Statement of Changes in Assets and Liabilities – Agency Funds .....</i>	6	65
<i>Statement of Cash Flows – Component Unit – Industrial Development Authority .....</i>	7	66
<b>Statistical Section</b>	<b>Table</b>	<b>Page</b>
<i>Statistical Section Overview .....</i>		67
<i>Government-Wide Revenues - Last Five Fiscal Years .....</i>	1	68
<i>Government-Wide Expenditures by Function - Last Five Fiscal Years .....</i>	2	69
<i>General Governmental Revenues by Source - Last Ten Fiscal Years .....</i>	3	70
<i>General Governmental Expenditures by Function - Last Ten Fiscal Years .....</i>	4	71
<i>Net Assets by Component .....</i>	5	72
<i>Change in Net Assets .....</i>	6	73 - 74
<i>Fund Balances - Governmental Funds - Last Five Fiscal Years .....</i>	7	75
<i>Changes in Fund Balances - Governmental Funds - Last Five Fiscal Years .....</i>	8	76
<i>Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years .....</i>	9	77
<i>Assessed Value of Taxable Real Property - Last Ten Fiscal Years .....</i>	10	78
<i>Property Tax Rates (Per \$100 of Assessed Value) - Last Ten Fiscal Years .....</i>	11	79
<i>Property Tax Levies and Collections - Last Ten Fiscal Years .....</i>	12	80 - 81
<i>Principal Taxpayers - 2007 and Nine Years Ago .....</i>	13	82
<i>Computation of Legal Debt Margin .....</i>	14	83
<i>Ratios of Outstanding Debt by Type - Last Ten Fiscal Years .....</i>	15	84
<i>Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years .....</i>	16	85
<i>Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures - Last Ten Fiscal Years .....</i>	17	86
<i>Ratio of Annual Debt Service Expenditures to Total Governmental Expenditures - Last Ten Fiscal Years .....</i>	18	87
<i>Demographic Statistics - Last Ten Fiscal Years .....</i>	19	88
<i>Principal Employers in Poquoson - 2007 and Nine Years Ago .....</i>	20	89
<i>Full-time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years .....</i>	21	90
<i>Operating Indicators by Function/Program - Last Ten Fiscal Years .....</i>	22	91
<i>Capital Assets Statistics by Function/Program - Last Ten Fiscal Years .....</i>	23	92
<i>Taxable Sales by Category - Last Ten Fiscal Years .....</i>	24	93
<i>Property Value and Construction - Last Ten Fiscal Years .....</i>	25	94
<i>Miscellaneous Statistical Data .....</i>	26	95 - 96
<b>Compliance Section</b>		
<i>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 .....</i>		97 - 98
<i>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....</i>		99 - 100
<i>Report of Independent Auditors on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants .....</i>		101 - 102
<i>Schedule of Expenditures of Federal Awards .....</i>		103 - 104
<i>Notes to Schedule of Expenditures of Federal Awards .....</i>		105
<i>Schedule of Findings and Questioned Costs .....</i>		106 - 107



## CITY OF POQUOSON

FINANCE DEPARTMENT

500 CITY HALL AVENUE, POQUOSON, VIRGINIA 23662-1996  
(757) 868-3030 TELEPHONE (757) 868-3101 FAX

December 20, 2007

To the Honorable Mayor Helsel, Members of City Council, and Citizens of the City of Poquoson:

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson (City) for the fiscal year ended June 30, 2007. An audited annual financial report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is prepared in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), and the Auditor of Public Accounts of the Commonwealth of Virginia.

This report consists of management's representations concerning the finances of the City of Poquoson. Consequently, management assumes full responsibility for both the accuracy of the data, the completeness and fairness of the presentation, and all disclosures. To provide a reasonable basis for making these representations, management of the City of Poquoson has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Poquoson's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Poquoson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and the component units of the City of Poquoson.

The City of Poquoson's financial statements have been audited by Goodman & Company, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Poquoson for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Poquoson's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented on pages 1 and 2 of this report.

The independent audit of the financial statements of the City of Poquoson was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies and a state compliance audit. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Commonwealth of Virginia also has audit requirements on compliance with specific Commonwealth of Virginia laws, regulations, contracts, and grants. The compliance section of the report starts on page 97.



GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Poquoson's MD&A can be found immediately following the report of the independent auditors starting on page 3.

### **Profile of the City of Poquoson**

Poquoson, which had been a part of York County for many years, became a town in 1952 and an independent city in 1975 upon referendum of the citizens. Certain municipal functions continue to be shared with York County.

The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27<sup>th</sup> largest metropolitan statistical area in the country. Poquoson is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles, and serves an estimated population of 11,900.

Poquoson is organized under the Council-Manager form of government. The Poquoson City Council is comprised of seven members who are elected by the voters on a non-partisan basis and serve four year staggered terms. The City is divided into three precincts, with each precinct entitled to two representatives. The City Mayor is elected at large. Persons elected to City Council take office on the first day of January following the election.

The City Council is the policy determining body of the City. Its responsibilities include: adoption of the City budget; creation, combination or elimination of City departments; approval of all tax levies; approval of amendments, supplements or repeals to ordinances and the City Code; and appointment of the City Manager, City Clerk, City Attorney and various local boards, commissions and committees. The City Manager acts as Chief Executive and Administrative Officer of the City. The Manager serves at the pleasure of Council, carries out its policies, directs business procedures and has the power of appointment and removal of the heads of all departments (except Constitutional Officers) as well as all other employees of the City.

Virginia state statutes put Virginia schools under the dual control of the State Education Board and a local school board. The State Education Board provides operational procedures, standards of education, and state school aid formulas for partial funding. The City must provide all capital improvement funds, pay debt on school projects and provide any additional operating funds required, but not provided by the State Education Board. The City Council's authority is limited to appointing local school board members and appropriating funds by state-established categories. Local school boards do not have taxing or bond issuance authority.

The City of Poquoson provides a full range of services, including police and fire protection; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services, community development activities, and cultural events. The City also owns and operates sewage facilities; picks up trash, recycling, landscaping and bulky items; owns and operates a City pool; and manages various paid recreational activities. In addition to general governing activities, the governing body has significant financial influence over the Schools and the Industrial Development Authority (IDA); both of which are reported separately within the City of Poquoson's financial statements. Additional information on these two legally separate entities can be found in Note 1 in the notes to basic financial statements starting on page 30.



The annual budget serves as the foundation for the City of Poquoson's financial planning and control. All agencies and departments of the City of Poquoson are required to submit requests for appropriation to the City Manager in January. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager presents a proposed budget to City Council for review in April. The Council is required to hold public hearings on the proposed budget and must adopt a final budget by no later than May 31. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments and additional appropriations require the special approval of City Council. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and therefore do not lapse after year-end. The budget-to-actual comparison for the General Fund starts on page 54 of the report.

### **Factors Affecting Economic Condition**

**Local Economy.** General factors affecting the local economy in calendar year 2006 help give a broader perspective of the specific environment within which the City of Poquoson operates.

The City of Poquoson currently has a favorable economic environment and local indicators point to continued stability. While the City of Poquoson's tax base is challenged by few commercial enterprises, Poquoson's close proximity to other cities provides citizens shopping, jobs, and cultural events. The median household income was \$67,664 in 2003 (latest available data). Hampton Roads economy is strong and has a low unemployment rate. In 2006 (latest available data), Poquoson had a 2.3% unemployment rate as compared to a state-wide rate of 3.5% and a national average of 5.1%.

The 2000 census population of 11,566 reflects growth of 5% since the 1990 census. The Planning Department estimates Poquoson's population to be 11,900 in 2006.

The 2006 taxable sales of \$40,179,483 were up 12.8% from the 2005 level. The increase was due to the Department of Taxation's (TAX) understatement of sales in the third and fourth quarters of 2005, and an overstatement in the first quarter of 2006. TAX implemented a new accounting system and data wasn't reported in the correct period. The City's 1% portion of the local sales tax was not affected.

**Tax Base.** Poquoson is primarily residential in nature and the lack of a strong commercial base in the City places a much higher burden on residents to fund the services of the City compared to neighboring cities who use business tax revenue to fund part of the locality's services. The City's largest source of revenue comes from the real estate tax. While the City's tax rate decreased from \$1.06 to \$.81 per \$100 of assessed value, the City has had increases in real estate tax revenue primarily due to increased assessments and growth of new buildings in the City. Many properties in the City enjoy waterfront views and access to water and the growth in assessments in these properties have outpaced other properties.

**Long-Term Financial Planning.** In response to Hurricane Isabel which occurred in September 2003, the City received a Federal Emergency Management Agency (FEMA) mitigation grant to help citizens raise their homes to prevent future flooding. The City has been required to provide a 5% match for the private assistance grants. A number of City and School properties were also flooded. The City is researching ways to mitigate future flooding of City and School properties as damaged City and School properties are rebuilt. A combination of FEMA, State Community Development Block Grant (CDBG) funds, and City funds will address the rebuilding of damaged properties.

The City continues to make improvements to the Messick Point Area. In recent years the channel was dredged, and a public pier and parking spaces were constructed. The City is also working towards building restroom facilities in the area. The IDA has purchased several lots in the Messick area and has had an architectural firm lay out a conceptual plan for development. The IDA plans to pursue multi-use zoning in the area and solicitation of a development company.

The City has decided to build a new Fire Station #1 to replace the existing station which was damaged due to flooding from Hurricane Isabel. The City has contracted with Hudson & Associates, PLLC to design the new station; construction is scheduled to take twelve months. Financing has been obtained to construct the new fire station.

In November 2006, the School Board contracted with WM Jordan, Inc. to construct a new Poquoson Elementary School. The present school built in 1952, contains many serious building deficiencies, and fails to meet current education program needs. Construction of the new building, equipment, furnishings, and demolition of the existing elementary school is expected to cost \$18,300,000. The City has completed the financing to pay for the new school building.

**Cash Management Policies and Practices.** The primary government maintains one centralized bank account for the operation of all funds with the exception of the Sewer Fund, the Library Building Agency Fund, and the School system (a component unit), which have separate accounts. All of the City's cash is deposited with the City Treasurer, an elected officer, who is responsible for investing all City funds. City cash is invested primarily in the Local Government Investment Pool, Federal government obligations, and other short-term investments permissible under the Virginia Public Investment Act. The City plans on holding investments until maturity and expects positive earnings in the long-run. The City also has restricted cash and investments that are monitored by the Finance Department and used for the payment of sewer bond projects. At June 30, 2007, the various cash balances included cash on hand, investments classified as cash, cash on deposit in banks, and restricted cash in the amount of \$23,604,973 for the City and \$2,476,355 for the Schools.

**Risk Management.** The City maintains liability and property coverage through the Virginia Municipal Liability Pool and workers compensation coverage through the Virginia Municipal Group Self-Insurance Association. These are nonprofit, tax exempt associations of Virginia local political subdivisions. Local political subdivisions of the Commonwealth of Virginia eligible to participate in the program include cities, towns, counties, school systems and other local government agencies.

**Pension Benefits.** The City and Schools contribute to the Virginia Retirement System (VRS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for political subdivisions. For more information on the defined benefit retirement plan, see page 51 of the notes to the basic financial statements and Exhibit L on page 58.

**Awards and Acknowledgements.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the nineteenth consecutive year that the government has received the prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

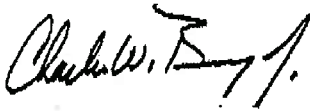
The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Appropriated Budget for FY 2007. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the School Board Finance Department, the Treasurer's Office and our Certified Public Accountants, Goodman & Company, L.L.P. Credit is also given to City Council for their interest and support in planning and conducting the operations of the City of Poquoson in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, reading "Lisa K. Dessoffy".

Lisa K. Dessoffy, CPA  
Director of Finance

A handwritten signature in cursive script, reading "Charles W. Burgess, Jr.". The signature is stylized with a large, prominent "B".

Charles W. Burgess, Jr.  
City Manager



Certified Public Accountants  
Specialized Services  
Business Solutions

## ***Report of Independent Auditors***

Honorable Mayor and Members of City Council  
***City of Poquoson, Virginia***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Poquoson, Virginia***, as of and for the year ended June 30, 2007, which collectively comprise the ***City of Poquoson, Virginia's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***City of Poquoson, Virginia's*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Poquoson, Virginia***, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007, on our consideration of the ***City of Poquoson, Virginia's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing on 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 is important for assessing the results of our audit.

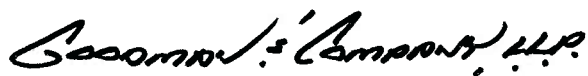
Management's Discussion and Analysis on pages 3 through 17 and the other required supplementary information included at pages 54 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States 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.

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Honorable Mayor and Members of City Council  
*City of Poquoson, Virginia*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Poquoson, Virginia's* basic financial statements. The information listed as other supplementary information and compliance section information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are 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 information included in the introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "G. J. Campbell, III".

Newport News, Virginia  
December 20, 2007





## **City of Poquoson, Virginia**

**500 City Hall Avenue  
Poquoson, Virginia 23662**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Highlights**

**Overview of the Financial Statements**

**Government-Wide Financial Analysis**

**Financial Analysis of the Government's Funds**

**General Fund Budgetary Highlights**

**Capital Asset and Debt Administration**

**Economic Factors and Next Year's Budgets  
and Rates**

**Requests for Information**

# **Management's Discussion and Analysis**

**Fiscal Year July 1, 2006 — June 30, 2007**

As management of the City of Poquoson, we offer readers of the City of Poquoson's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages *vi* through *x* of this report.

## **Financial Highlights**

- The assets of the City of Poquoson exceeded its liabilities as of June 30, 2007, by \$27,565,617 (net assets). Of this amount, \$4,865,379 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,114,048. Most of the increase is attributable to new construction in residential real estate, which resulted in increased real property taxes; increases in other local taxes due to commercial growth in the City; and scrutiny of City expenditures.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$22,040,292, of which \$5,195,502 is available to spend at the City's discretion.
- As of June 30, 2007, unreserved fund balance for the General Fund was \$4,858,261, or 32% of total General Fund expenditures, and 25% of total General Fund and School expenditures (net of transfers).
- The City of Poquoson's total debt outstanding at June 30, 2007, was \$43,716,017, an increase of \$8,000,000 from the prior year. During the year, the City borrowed additional money for the new elementary school, fire station and undesignated capital projects.

## Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of four (4) sections: the introductory section, the financial section, the statistical section, and the compliance section. This discussion and analysis serves as an introduction to the City of Poquoson's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 in FY 2003, the City now presents financial information with two different perspectives. The City continues to present the fund financial statements, which presents fund-type information on a current financial resource basis. With GASB Statement No. 34 the City also presents government-wide financial statements, which provide both long-term and short-term information about the City's overall financial status.

**Government-Wide Financial Statements.** The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City of Poquoson's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City of Poquoson's assets and liabilities, with the difference between the two reported as *Net Assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Poquoson is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Poquoson that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Poquoson include general government and administration; judicial; public safety; public works; health and welfare; recreation and cultural; community development; and grants. The business-type activities of the City of Poquoson include a Sewer Fund, a Parks and Recreation Fund, and a Solid Waste Fund.

The government-wide financial statements include not only the City of Poquoson itself (known as the primary government), but also a legally separate school system, Poquoson Public Schools, and a legally separate Poquoson Industrial Development Authority (IDA) for which the City of Poquoson is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

**Fund Financial Statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Poquoson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Poquoson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds does not address the long-term focus of the government-wide financial statements, information is presented on pages 21 and 23 which reconciles the differences between governmental funds and governmental activities.

The City of Poquoson maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Grant Fund.

The governmental funds financial statements can be found on Exhibits C and D of this report.

The City of Poquoson adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget on Exhibit K.

**Proprietary Funds.** The City of Poquoson maintains three different types of proprietary funds. Enterprise funds provide both long-term and short-term information on business-type activities in the government-wide financial statements. The City of Poquoson uses enterprise funds to account for its Sewer Operations Fund, Parks and Recreation Fund, and Solid Waste Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Poquoson's departments. Because this service predominantly benefits governmental rather than business-type functions, the Fleet Management internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on Exhibits E, F and G of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of the Friends of the Library, a party outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Poquoson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.



The fiduciary fund statement can be found on Exhibit H of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 53 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City of Poquoson including financial information on the School Board component unit. Supplementary information can be found on pages 54 through 66 of this report.

## Government-Wide Financial Analysis

### Summary of Statement of Net Assets

June 30, 2007

	Governmental Activities		Business-Type Activities		Total	
	FY 2007	FY 2006 (restated)	FY 2007	FY 2006 (restated)	FY 2007	FY 2006 (restated)
Current and other assets	\$23,993,603	\$20,797,849	\$2,040,807	\$1,942,185	\$26,034,410	\$22,740,034
Capital assets	30,742,306	20,976,980	16,552,301	17,271,578	47,294,607	38,248,558
Other noncurrent assets	18,592	12,642	27,455	30,312	46,047	42,954
<b>Total assets</b>	<b>54,754,501</b>	<b>41,787,471</b>	<b>18,620,563</b>	<b>19,244,075</b>	<b>73,375,064</b>	<b>61,031,546</b>
Current and other liabilities	3,137,141	1,942,797	1,001,223	1,022,463	4,138,364	2,965,260
Long-term liabilities	31,376,731	24,696,239	10,294,352	11,028,388	41,671,083	35,724,627
<b>Total liabilities</b>	<b>34,513,872</b>	<b>26,639,036</b>	<b>11,295,575</b>	<b>12,050,851</b>	<b>45,809,447</b>	<b>38,689,887</b>
Net assets:						
Invested in capital assets - Net of related debt	17,183,471	10,104,292	5,516,767	5,502,832	22,700,238	15,607,124
Unrestricted	3,057,158	5,044,143	1,808,221	1,690,392	4,865,379	6,734,535
<b>Total net assets</b>	<b>\$20,240,629</b>	<b>\$15,148,435</b>	<b>\$7,324,988</b>	<b>\$7,193,224</b>	<b>\$27,565,617</b>	<b>\$22,341,659</b>

Net assets serve as a useful indicator of a government's financial position. The City's combined net assets total \$27,565,617, excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$22,700,238. The City of Poquoson uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net assets of \$4,865,379 are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Poquoson is able to report positive balances in all three categories of net assets, both for the governmental and business-type activities.

**Governmental Activities.** The government's net assets increased by \$2,114,048 during FY 2007. The governmental activities and the business-type activities increased by \$1,982,284 and \$131,764, respectively. The majority of increases in the governmental activities represent City investments in capital assets.

The City continues to recover from widespread damage caused by Hurricane Isabel in FY 2004. The majority of damage came in the form of flooding, where the storm surge covered more than half of the City. The flood and wind damage caused extensive damage to both citizens' property and local government property. Both Federal and State grants have been obtained to elevate citizens' homes to prevent future flooding. The City will be required to provide a 5% match for these grants.

#### Summary of Changes in Net Assets

June 30, 2007

	Governmental Activities		Business-Type Activities		Total	
	FY 2007	FY 2006 (restated)	FY 2007	FY 2006	FY 2007	FY 2006 (restated)
Revenues:						
Program revenues:						
Charges for services	\$409,693	\$345,908	\$2,342,232	\$2,423,396	\$2,751,925	\$2,769,304
Operating grants and contributions	2,094,100	2,122,034	-	-	2,094,100	2,122,034
Capital grants and contributions	1,260,858	342,400	-	-	1,260,858	342,400
General revenues:						
Real estate and personal property taxes	15,636,708	13,053,028	-	-	15,636,708	13,053,028
Other local taxes	2,541,189	2,792,592	-	-	2,541,189	2,792,592
Reimbursements from other agencies	1,970,935	2,035,707	-	-	1,970,935	2,035,707
Miscellaneous	146,900	75,005	147,176	180,100	294,076	255,105
Unrestricted investment earnings	1,085,397	415,638	37,913	23,393	1,123,310	439,031
<b>Total revenues</b>	<b>25,145,780</b>	<b>21,182,312</b>	<b>2,527,321</b>	<b>2,626,889</b>	<b>27,673,101</b>	<b>23,809,201</b>
Expenses:						
General government	4,532,796	2,379,161	-	-	4,532,796	2,379,161
Judicial	226,198	238,689	-	-	226,198	238,689
Public safety	5,288,161	4,657,932	-	-	5,288,161	4,657,932
Public works	1,511,607	1,327,111	-	-	1,511,607	1,327,111
Health and welfare	862,689	821,356	-	-	862,689	821,356
Education	8,126,211	7,426,666	-	-	8,126,211	7,426,666
Parks, recreation, cultural	18,006	1,030,174	-	-	18,006	1,030,174
Community development	1,081,786	817,214	-	-	1,081,786	817,214
Interest and fees on long-term debt	1,246,037	462,508	-	-	1,246,037	462,508
Sewer	-	-	1,596,599	1,554,446	1,596,599	1,554,446
Parks and Recreation	-	-	473,754	587,701	473,754	587,701
Solid Waste	-	-	595,209	528,325	595,209	528,325
<b>Total expenses</b>	<b>22,893,491</b>	<b>19,160,811</b>	<b>2,665,562</b>	<b>2,670,472</b>	<b>25,559,053</b>	<b>21,831,283</b>
<b>Change in net assets before transfers</b>	<b>2,252,289</b>	<b>2,021,501</b>	<b>(138,241)</b>	<b>(43,583)</b>	<b>2,114,048</b>	<b>1,977,918</b>
<b>Transfers</b>	<b>(270,005)</b>	<b>(217,683)</b>	<b>270,005</b>	<b>217,683</b>	<b>-</b>	<b>-</b>
<b>Increase in net assets</b>	<b>1,982,284</b>	<b>1,803,818</b>	<b>131,764</b>	<b>174,100</b>	<b>2,114,048</b>	<b>1,977,918</b>
<b>Net assets - beginning of year</b>	<b>18,258,345</b>	<b>16,454,527</b>	<b>7,193,224</b>	<b>7,019,124</b>	<b>25,451,569</b>	<b>23,473,651</b>
<b>Net assets - end of Year</b>	<b>\$20,240,629</b>	<b>\$18,258,345</b>	<b>\$7,324,988</b>	<b>\$7,193,224</b>	<b>\$27,565,617</b>	<b>\$25,451,569</b>



The City's largest revenue source is general property taxes.

	<b>FY 2007</b>	<b>FY 2006</b>
Real estate tax revenue	\$13,126,772	\$10,837,467
Public service corporation property taxes	82,225	137,444
Personal property taxes	2,210,975	1,888,246
Penalties and interest	142,889	149,801
<b>Total</b>	<b>\$15,562,861</b>	<b>\$13,012,958</b>

Real estate revenue increases in FY 2007 were due to growth and new buildings. The City's real estate property tax assessments were \$1,627,336,017 and \$1,025,497,078 for FY 2007 and FY 2006, respectively. The City's real estate tax rate was \$0.81 per \$100 of assessed value in FY 2007 and \$1.06 in FY 2006.

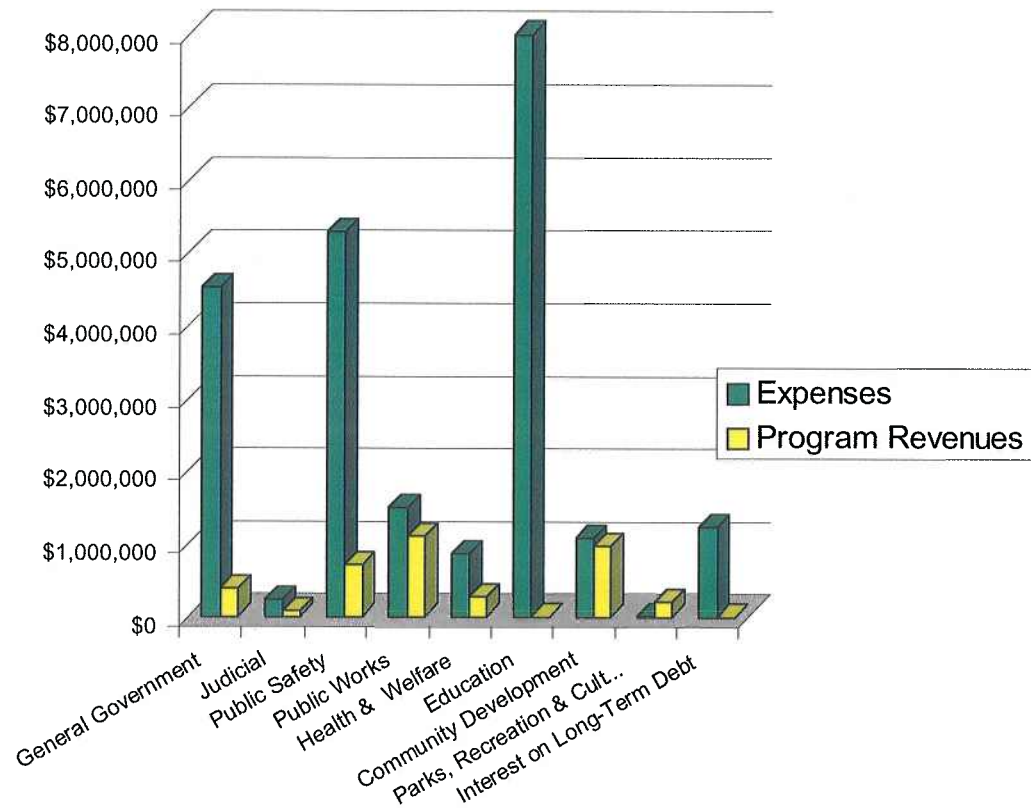
The City's personal property tax assessments were \$137,847,803 and \$137,528,873 for FY 2007 and FY 2006 respectively. In FY 2007 the City's personal property tax rate is \$4.15 per \$100 of assessed value for vehicles, \$1.50 per \$100 of assessed value for recreational vehicles and boats, and \$.81 per \$100 of assessed value for mobile homes. In FY 2006 the City's personal property tax rate was \$3.85 per \$100 of assessed value for vehicles, \$1.50 per \$100 of assessed value for recreational vehicles and boats, and \$1.06 per \$100 of assessed value for mobile homes. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the State's share of local personal property tax was \$1,942,140 and \$2,018,257 for FY 2007 and FY 2006, respectively, and is classified as reimbursements from other agencies on the Statement of Activities.

Other local taxes were \$2,541,189 and \$2,792,592 for FY 2007 and FY 2006, respectively, and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes and a variety of other taxes.

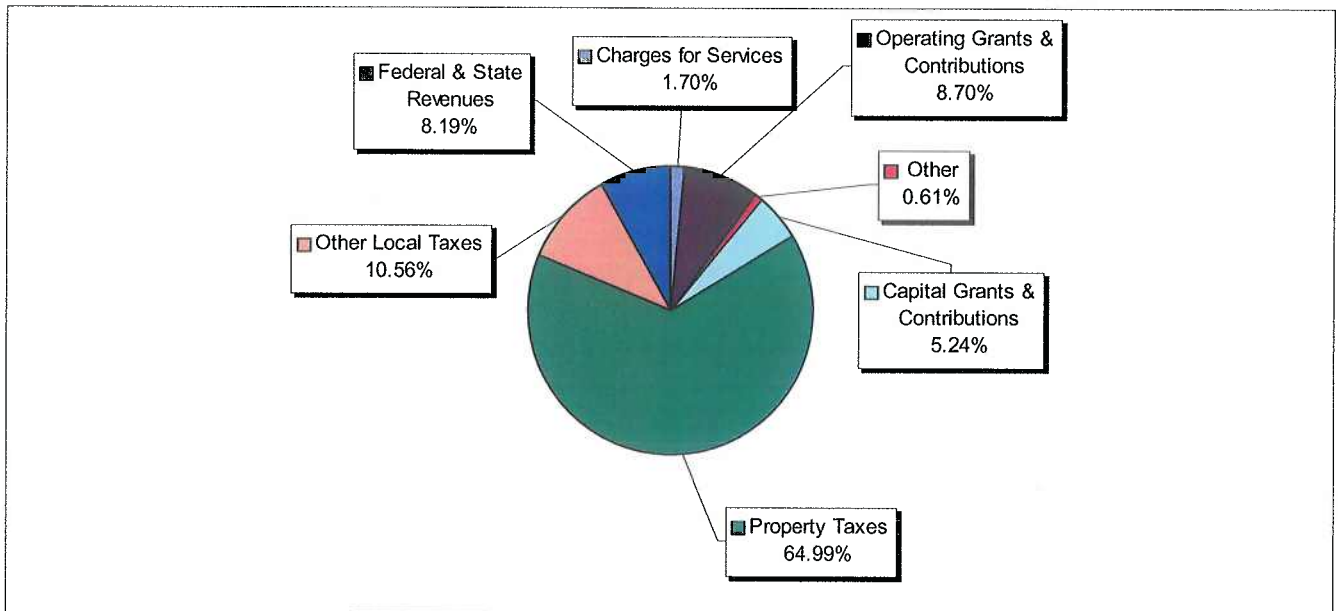
Operating grants and contributions and capital grants and contributions were \$3,354,958 and \$2,464,434 for FY 2007 and FY 2006, respectively. The 36.1% increase was due to several public works and parks and recreation grants received in FY 2007.

For FY 2007, expenses for governmental activities totaled \$22,893,491, including a net payment of \$7,880,000 to the School Board component unit and a \$123,861 payment to the IDA component unit. For FY 2006, expenses for governmental activities totaled \$19,160,811, including a net payment of \$7,426,666 to the School Board component unit and a \$147,530 payment to the IDA component unit. The School Board's increase related mainly to increased personnel and benefit costs. The City's increases related mainly to personnel and operating costs. The City experienced increased employee benefit costs and hired additional employees (Appraiser and Construction Inspector). The majority of the increase in City capital expenditures was related to the construction of the new elementary school. Several homes adjacent to the school site were purchased so that required access and land was available for the school construction project.

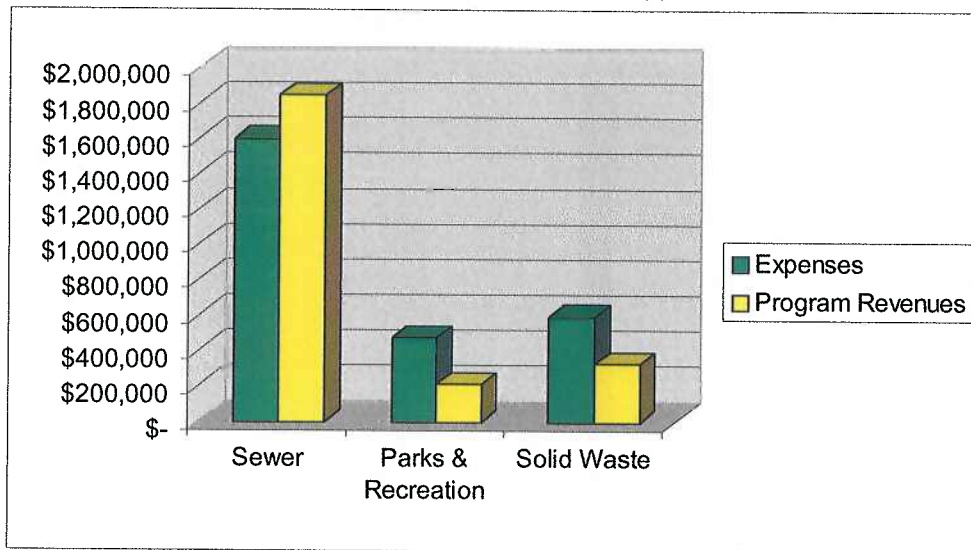
## Expenses and Program Revenues – Governmental Activities



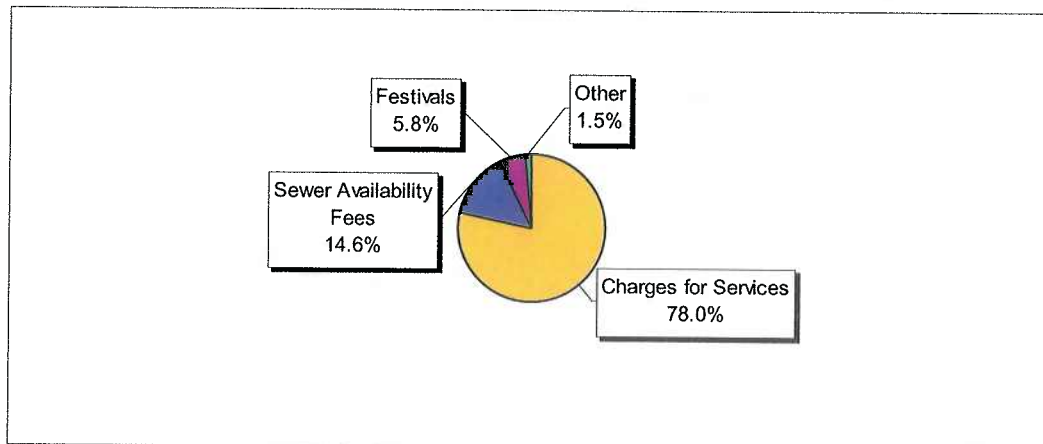
## Revenues by Sources – Governmental Activities



### Expense and Program Revenues – Business-Type Activities



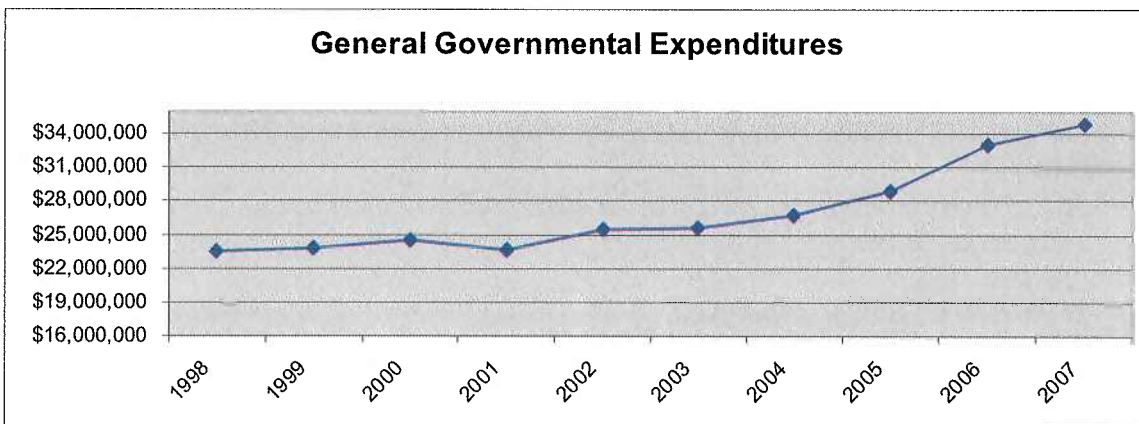
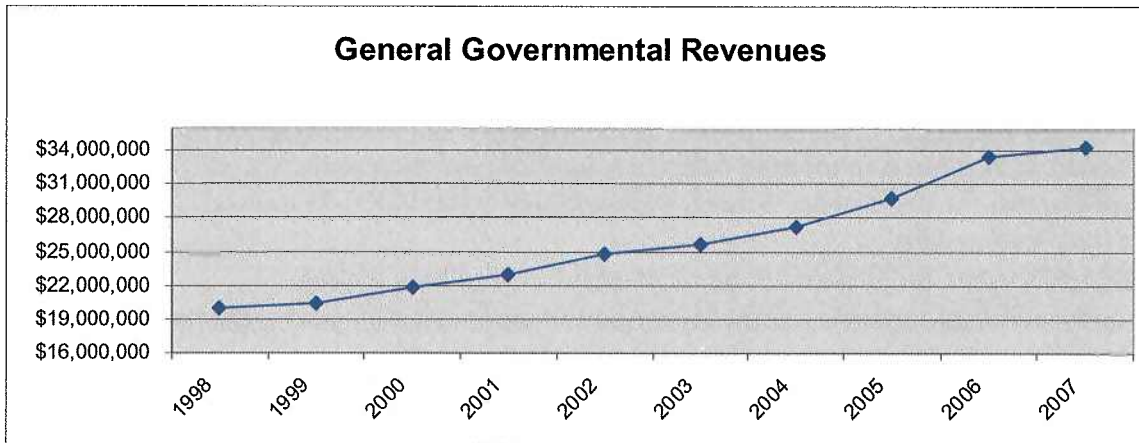
### Revenues by Source – Business-Type Activities



**Business-Type Activities.** Business-type activities decreased the City's net assets before transfers by \$138,241 and increased it by \$131,764 after transfers. The business-type activities had a net gain in the Sewer Operations Fund, while the Parks and Recreation Fund and the Solid Waste Fund had net operating losses. In the past several years, the Sewer Fund issued debt for significant sewer expansion projects, which increased sewer rates to pay for the additional debt. In order to keep the sewer usage rates from increasing significantly, Council has budgeted to use a portion of net assets. Parks and Recreation user charges continue to be held as low as possible to accommodate all citizens, but has increasing expenses. The Parks and Recreation Fund had net losses over the last few years, indicating the need to either raise user fees or to receive supplemental government funds. The Solid Waste Fund utilizes a pay-as-you throw green bag system, which funds trash pickup and disposal, recycling, and hazardous materials collection. The City supplements the bulky item and landscape trash pickup in the Solid Waste Fund.

## Financial Analysis of the Government's Funds

Below is a summary of general governmental revenues and expenditures over a 10 year period. Amounts include the City's General, Debt Service, Grant, and Capital Projects Funds, and the School's General and Special Revenue Funds.



## **General Fund Budgetary Highlights**

The City of Poquoson uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit K. The City records actual revenues and expenditures using generally accepted accounting principles (GAAP) with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit K, the non-GAAP budgetary expenditures are reconciled to the GAAP statements. The budget differences of \$1,873,477 between the original budget and the final amended budget can be briefly summarized as follows:

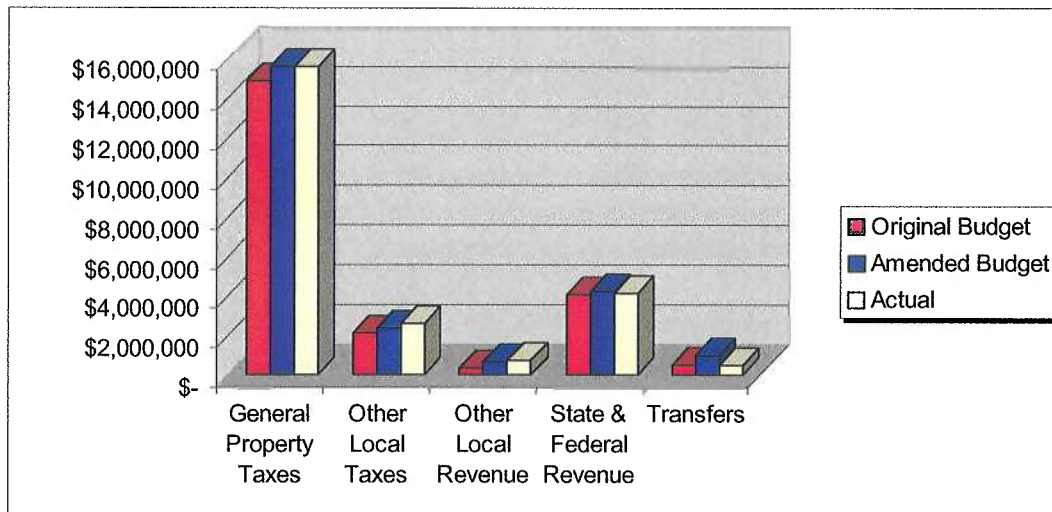
- \$605,180 additional transfers to the Capital Projects Fund were budgeted to pay for the relocation of a home interfering with the school construction project, a chiller replacement for the Primary School, a Geographic Information System (GIS), and the cost of issuing debt.
- \$265,622 to the Solid Waste Fund to cover the cost of bulk pickup.
- \$2,191 additional transfers to the Industrial Development Authority were budgeted to pay for additional interest costs on the Authority's line of credit.
- \$46,336 additional transfers to the Parks and Recreation Fund were budgeted to pay for ongoing deficits in the fund and to cover additional costs for the pool dome.
- \$98,631 additional transfers to the Special Revenue Fund were budgeted to pay for local cost of home elevation projects.
- \$18,337 and \$188 respectively for the Sewer Fund and Fleet Fund to cover additional costs associated with Hurricane Ernesto.
- \$309,724 of expenditures were budgeted for additional revenue received for fire and police grants and police seizure activities.
- \$186,695 of expenditures were budgeted for vehicles, equipment and computer equipment.
- \$83,682 of expenditures were budgeted for additional personnel costs.
- \$256,891 expenditures were budgeted using a variety of additional revenues.

The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.



## General Fund Revenue

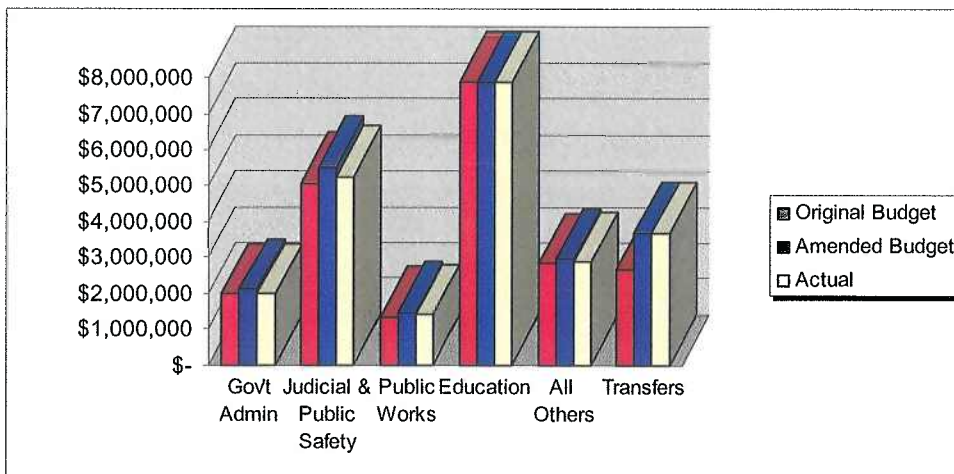
### Comparison of Budget to Actual



The City's actual revenue of \$23,353,368 exceeded the original budget by \$1,634,398 but shows a decrease of \$239,079 from the amended budget. The City had higher than expected revenues for general property taxes and other local taxes. The City is conservative in budgeting tax revenues and typically has some overage.

## General Fund Expenditures

### Comparison of Budget to Actual



As reflected above, actual General Fund expenditures were \$546,805 or 2.3% below the amended budget.

The budgetary comparison can be found on Exhibit K. For budgetary purposes, the City includes encumbrances outstanding at year-end in expenditures, which is not in accordance with generally accepted accounting principals (GAAP). A reconciliation of budgetary basis to GAAP is also shown on Exhibit K.

### **Capital Projects Fund**

The Capital Projects Fund is used by the City to account for the acquisition and construction of major capital projects and large equipment purchases for the general government. A major source of funding for Capital Projects is a transfer from the General Fund. The Capital Projects Fund also received Federal, State and community grants for projects.

During FY 2007, capital projects expenditures of \$8,460,299 included design and construction costs for the new elementary school, new little league baseball fields, school capital expenditures, Geographic Information System (GIS), highway and drainage improvements, park improvements, and public safety equipment.

### **Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities amounted to \$47,294,607 and \$41,358,468 (net of accumulated depreciation) for FY 2007 and FY 2006, respectively. The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, and allocated school buildings. The City owns roads, streetlights, and other infrastructure, but has only capitalized these assets placed in service since July 1, 2002. Infrastructure was capitalized beginning in FY 2007. The School Board component unit owns their school buildings; however, the City has issued the debt and/or provided the resources to build and renovate school buildings. Thus the State Code allows the Schools to allocate a portion of their asset to the City, if the City has outstanding debt on the School building.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-Type Activities		Total	
	FY 2007	FY 2006 (restated)	FY 2007	FY 2006	FY 2007	FY 2006 (restated)
Land	\$2,948,810	\$2,983,858	\$243,216	\$243,216	\$3,192,026	\$3,227,074
Construction in progress	6,770,996	708,856	-	-	6,770,996	708,856
Buildings	4,963,322	5,056,732	14,319	17,431	4,977,641	5,074,163
Infrastructure	4,197,695	4,270,350	-	-	4,197,695	4,270,350
Land improvements	1,158,508	-	-	-	1,158,508	-
Machinery and equipment	2,563,141	2,713,374	486,026	585,398	3,049,167	3,298,772
Sewer System	-	-	15,808,740	16,425,533	15,808,740	16,425,533
Allocated school buildings	8,139,834	8,353,540	-	-	8,139,834	8,353,540
Total	\$30,742,306	\$24,086,890	\$16,552,301	\$17,271,578	\$47,294,607	\$41,358,468

**Debt Administration.** Total outstanding general obligation debt at June 30, 2007, was \$43,716,017 of which \$32,435,690 is considered to be net direct tax supported debt. Included in the total is \$28,867,870 in bonds and leases, and \$3,567,820 in State Literary Loans. The remaining \$11,280,327 is bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund. On the government-wide financial statements, long-term liabilities are netted against deferred refunding charges and bond premiums of \$139,073 in governmental activities and \$244,793 business-type activities.

During FY 2007, the City borrowed an additional \$8,000,000 to provide financing for the new elementary school, fire station and undesignated capital projects.

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real estate and public service corporations. The June 30, 2007, debt limitation for the City of Poquoson is \$177,533,500, which is significantly in excess of the City of Poquoson's \$32,435,690 outstanding net direct bonded debt. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the past two years is presented below:

#### Net Direct Tax Supported Debt

##### General Governmental Activities

	<b>FY 2007</b>	<b>FY 2006</b>
Net direct bonded debt	\$32,435,690	\$25,527,795
Ratio of outstanding direct debt to assessed value	1.82%	2.46%
Net debt per capita	\$2,804	\$2,207

#### Net Direct Tax Supported Debt

##### Including Business-Type Funds

	<b>FY 2007</b>	<b>FY 2006</b>
Net direct bonded debt	\$43,716,018	\$37,576,884
Ratio of outstanding direct debt to assessed value	2.46%	3.63%
Net debt per capita	\$3,779	\$3,248

More detailed information on the City of Poquoson's long-term debt activity and capital asset activity can be found in notes 7, 8 and 9 on pages 41 through 49 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The FY 2008 budget was prepared with economic trends within the City taken into account:

- The unemployment rate for the City of Poquoson was 2.8% compared to a state-wide rate of 3.5% and a national average of 5.1%.
- FY 2008 is not a reassessment year, minimal increase in real estate assessed values due to growth.
- The real estate tax rate of \$.81 per \$100 of assessed value and increase in personal property tax rate from \$3.85 to \$4.15.
- Other local taxes have been trending upwards for the last several years.

Expenditures for the FY 2008 budget had more funding than prior years.

- The Schools received an increase of 8.6% and 5% in State and City funds, respectively for FY 2008.
- The Schools funded a 5% salary increase for teachers, 4% increase for all other staff, and a one-dollar-per-hour increase as a market adjustment for para-educators, clerical staff and nurses; the City funded an average salary increase of 4% for staff. Both the Schools and the City budgeted for significant increases in retirement costs and health insurance costs. The City received several grants to help citizens raise their home to prevent future flooding.

The City still has several outstanding issues to complete from Hurricane Isabel in September 2003. The City contracted with Hudson & Associates to design a new Fire Station #1, which suffered flood damage from Hurricane Isabel. Financing was been obtained to construct the new fire station. The School Board contracted with W.M. Jordan, Inc. to construct the new Poquoson Elementary School which should be completed in late FY 2008.

The City has received a Federal Emergency Management Agency (FEMA) mitigation grant, and two Community Development Block Grants (CDBG) to elevate the homes damaged by Hurricane Isabel, and to reimburse citizens for their repair costs. The City is hopeful that these grant funds will help citizens that had more than 50% damage to their homes from the storm surge raise their homes to an elevation of one foot above the required flood elevation.



## **Requests for Information**

This financial report is designed to provide a general overview of the City of Poquoson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Poquoson  
Director of Finance  
500 City Hall Avenue  
Poquoson, VA 23662

## City of Poquoson, Virginia

## Statement of Net Assets

June 30, 2007

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash and investments	\$ 21,879,731	\$ 1,725,242	\$ 23,604,973	\$ 2,510,172
Property taxes receivable - net	586,852	-	586,852	-
Receivables-net	95,473	290,363	385,836	4,867
Due from component units	52,132	-	52,132	-
Due from other governmental units	1,350,692	-	1,350,692	436,720
Inventory	28,323	10,517	38,840	1,199
Prepaid items	400	10,550	10,950	-
Notes and interest receivable	-	4,135	4,135	-
Capital assets:				
Land and construction-in-process	9,719,806	243,216	9,963,022	2,718,692
Other capital assets - net	21,022,500	16,309,085	37,331,585	4,009,791
Capital assets -net	30,742,306	16,552,301	47,294,607	6,728,483
Other assets	18,592	27,455	46,047	-
	<u>\$ 54,754,501</u>	<u>\$ 18,620,563</u>	<u>\$ 73,375,064</u>	<u>\$ 9,681,441</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,317,853	\$ 88,835	\$ 1,406,688	\$ 2,398,530
Accrued interest	369,503	138,749	508,252	-
Line of credit	-	-	-	1,904,591
Due to primary government	-	-	-	52,132
Unearned revenue	52,272	-	52,272	-
Noncurrent liabilities:				
Due within one year	1,397,513	773,639	2,171,152	25,788
Due in more than one year	31,376,731	10,294,352	41,671,083	114,269
<b>Total liabilities</b>	<u>34,513,872</u>	<u>11,295,575</u>	<u>45,809,447</u>	<u>4,495,310</u>
<b>Net Assets</b>				
Invested in capital assets - net of related debt	17,183,471	5,516,767	22,700,238	4,823,892
Unrestricted	3,057,158	1,808,221	4,865,379	362,239
<b>Total net assets</b>	<u>20,240,629</u>	<u>7,324,988</u>	<u>27,565,617</u>	<u>5,186,131</u>
	<u>\$ 54,754,501</u>	<u>\$ 18,620,563</u>	<u>\$ 73,375,064</u>	<u>\$ 9,681,441</u>

The accompanying notes are an integral part of the basic financial statements.

## Statement of Activities

Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets									
	Expenses	Charges For Services	Operating Grants and Contributions		Primary Government									
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units						
Primary Government														
Government activities:														
General government and administration	\$	4,532,796	\$	100,055	\$	262,537	\$	30,000	\$	(4,140,204)	\$	(4,140,204)	\$	-
Judicial		226,198		72,482		-		-		(153,716)		(153,716)		-
Public safety		5,288,161		113,360		441,680		162,295		(4,570,826)		(4,570,826)		-
Public works		1,511,607		-		1,108,572		5,307		(397,728)		(397,728)		-
Health and welfare		862,689		-		268,899		-		(593,790)		(593,790)		-
Education		8,126,211		-		-		-		(8,126,211)		(8,126,211)		-
Parks, recreation, cultural		18,006		72,253		12,412		130,195		196,854		196,854		-
Community development		1,081,786		51,543		-		933,061		(97,182)		(97,182)		-
Interest and fees on long-term debt		1,246,037		-		-		-		(1,246,037)		(1,246,037)		-
Total governmental activities		22,893,491		409,693		2,094,100		1,260,858		(19,128,840)		(19,128,840)		-
Business-type activities:														
Sewer		1,596,599		1,803,913		-		-		207,314		207,314		-
Parks and recreation		473,754		209,147		-		-		(264,607)		(264,607)		-
Solid waste		595,209		329,172		-		-		(266,037)		(266,037)		-
Total business-type activities		2,665,562		2,342,232		-		-		(323,330)		(323,330)		-
Total primary government		\$ 25,559,053		\$ 2,751,925		\$ 2,094,100		\$ 1,260,858		(19,128,840)		(323,330)		(19,452,170)
Component Units														
Poquoson Public Schools		\$ 21,260,837		\$ 578,142		\$ 13,094,164		\$ -		-		-		(7,588,531)
Industrial Development Authority		169,649		-		-		209,300		-		-		39,651
Total component units		\$ 21,430,486		\$ 578,142		\$ 13,094,164		\$ 209,300		-		-		(7,548,880)
General Revenues:														
Real estate and personal property taxes										15,636,708		15,636,708		-
Other local taxes										2,541,189		2,541,189		-
Payments from City of Poquoson										-		-		8,003,270
Reimbursements from other agencies not restricted to specific programs										1,970,935		1,970,935		-
Miscellaneous										146,900		147,176		294,076
Unrestricted investment earnings										1,085,397		37,913		1,123,310
Loss on disposal of capital assets										-		-		-
Transfers										(270,005)		270,005		(388,019)
Total general revenues, transfers and miscellaneous										21,111,124		455,094		21,566,218
Change in net assets										1,982,284		131,764		2,114,048
Net assets - beginning of year (restated)										18,258,345		7,193,224		25,451,569
Net assets - end of year										\$ 20,240,629		\$ 7,324,988		\$ 27,565,617
										\$		\$		\$ 5,186,131

The accompanying notes are an integral part of the basic financial statements.

## City of Poquoson, Virginia

## Balance Sheet - Governmental Funds

June 30, 2007

Assets	General	Debt Service	Capital Projects	Grant	Total Governmental Funds
Cash and cash equivalents	\$ 4,011,695	\$ 385,137	\$ 1,240,056	\$ -	\$ 5,636,888
Reserved cash	-	-	16,279,091	-	16,279,091
Property taxes receivable - net	586,852	-	-	-	586,852
Other receivables	92,195	-	3,176	-	95,371
Due from component units	52,132	-	-	-	52,132
Due from other governmental units	1,149,455	-	-	201,236	1,350,691
Prepays	400	-	-	-	400
Inventory	3,293	-	-	-	3,293
	<u>\$ 5,896,022</u>	<u>\$ 385,137</u>	<u>\$ 17,522,323</u>	<u>\$ 201,236</u>	<u>\$ 24,004,718</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 370,038	-	\$ 915,729	\$ 20,262	\$ 1,306,029
Bank overdraft	-	-	-	171,236	171,236
Deferred revenue	487,161	-	-	-	487,161
<b>Total liabilities</b>	<u>857,199</u>	<u>-</u>	<u>915,729</u>	<u>191,498</u>	<u>1,964,426</u>
<b>Fund Balances</b>					
Fund balances:					
Reserved for encumbrances	180,562	-	-	-	180,562
Reserved for debt service	-	385,137	-	-	385,137
Reserved for construction - bond principal	-	-	16,196,290	-	16,196,290
Reserved for construction - bond earnings	-	-	82,801	-	82,801
Unreserved:					
Unreserved and undesignated	4,858,261	-	327,503	9,738	5,195,502
<b>Total fund balances</b>	<u>5,038,823</u>	<u>385,137</u>	<u>16,606,594</u>	<u>9,738</u>	<u>22,040,292</u>
	<u>\$ 5,896,022</u>	<u>\$ 385,137</u>	<u>\$ 17,522,323</u>	<u>\$ 201,236</u>	<u>\$ 24,004,718</u>

The accompanying notes are an integral part of the basic financial statements.



*City of Poquoson, Virginia**Balance Sheet - Governmental Funds***June 30, 2007**

**Reconciliation of the Governmental Funds Balance  
Sheet to the Statement of Net Assets**

<b>Total fund balances - governmental funds</b>	<b>\$ 22,040,292</b>
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	30,742,306
Other long-term assets are not financial resources and, therefore, are deferred in the funds.	434,889
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	144,610
Other liabilities not paid from current-period revenues are not reported in funds for:	
Accrued interest	(369,503)
Accrued compensated absences	(455,348)
Long-term liabilities, including bonds payable, net of capitalized bond issuance costs and deferred bond issuance charge, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(32,296,617)
<b>Total net assets - governmental activities</b>	<b>\$ 20,240,629</b>

*The accompanying notes are an integral part of the basic financial statements.*

## City of Poquoson, Virginia

Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds

Year Ended June 30, 2007

	General	Debt Service	Capital Projects	Grant	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 15,562,860	\$ -	\$ -	\$ -	\$ 15,562,860
Other local taxes	2,541,189	-	-	-	2,541,189
Permits, privilege fees and regulatory licenses	162,218	-	-	-	162,218
Fines and forfeitures	73,942	-	-	-	73,942
Revenue from use of money and property	308,453	-	863,379	-	1,171,832
Charges for services	72,749	-	-	-	72,749
Intergovernmental	4,089,220	-	419,397	881,059	5,389,676
Miscellaneous	85,325	8,488	280	-	94,093
<b>Total revenues</b>	<b>22,895,956</b>	<b>8,488</b>	<b>1,283,056</b>	<b>881,059</b>	<b>25,068,559</b>
<b>Expenditures</b>					
Current:					
General government and administration	1,938,236	-	-	-	1,938,236
Public safety and judicial	5,209,754	-	-	26,024	5,235,778
Public works	1,428,384	-	-	-	1,428,384
Health and welfare	843,523	-	-	-	843,523
Parks, recreation, and cultural	1,034,090	-	-	216	1,034,306
Community development	674,356	-	-	870,143	1,544,499
Nondepartmental	173,643	-	-	-	173,643
Education	7,880,000	-	-	-	7,880,000
Industrial Development Authority	123,861	-	-	-	123,861
Capital outlays	-	-	8,460,299	-	8,460,299
Debt service:					
Principal retirement	-	1,092,106	-	-	1,092,106
Interest and fiscal charges	-	1,038,815	-	-	1,038,815
<b>Total expenditures</b>	<b>19,305,847</b>	<b>2,130,921</b>	<b>8,460,299</b>	<b>896,383</b>	<b>30,793,450</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>3,590,109</b>	<b>(2,122,433)</b>	<b>(7,177,243)</b>	<b>(15,324)</b>	<b>(5,724,891)</b>
<b>Other financing sources (uses)</b>					
Transfers from:					
School Board	327,417	-	-	-	327,417
Sewer	130,000	-	-	-	130,000
General	-	2,427,570	758,180	98,631	3,284,381
Issuance of debt	-	-	8,000,000	-	8,000,000
Transfers to:					
Debt service	(2,427,570)	-	-	-	(2,427,570)
Grant	(98,631)	-	-	-	(98,631)
Sewer	(18,337)	-	-	-	(18,337)
Fleet	(188)	-	-	-	(188)
Capital projects	(758,180)	-	-	-	(758,180)
Parks and recreation	(116,046)	-	-	-	(116,046)
Solid waste	(265,622)	-	-	-	(265,622)
<b>Total other financing sources (uses)</b>	<b>(3,227,157)</b>	<b>2,427,570</b>	<b>8,758,180</b>	<b>98,631</b>	<b>8,057,224</b>
<b>Net change in fund balances</b>	<b>362,952</b>	<b>305,137</b>	<b>1,580,937</b>	<b>83,307</b>	<b>2,332,333</b>
<b>Fund balances - July 1, 2006</b>	<b>4,675,871</b>	<b>80,000</b>	<b>15,025,657</b>	<b>(73,569)</b>	<b>19,707,959</b>
<b>Fund balances - June 30, 2007</b>	<b>\$ 5,038,823</b>	<b>\$ 385,137</b>	<b>\$ 16,606,594</b>	<b>\$ 9,738</b>	<b>\$ 22,040,292</b>

The accompanying notes are an integral part of the basic financial statements.

*City of Poquoson, Virginia**Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds*

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**Year Ended June 30, 2007**

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**Reconciliation of the Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 2,332,333</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the funds.	(73,848)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	7,639,557
Depreciation expense	(861,250)
Proceeds from bond issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Costs of debt issuance (net)	(7,982,309)
Repayment of debt principal	1,092,105
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.	
Interest expense	(189,530)
Compensated absences	(12,980)
Internal service fund is used by management to charge the cost of fleet management to individual departments. The net gain of the fleet management fund is reported with governmental activities.	38,206
<b>Change in net assets of governmental activities</b>	<b>\$ 1,982,284</b>

*The accompanying notes are an integral part of the basic financial statements.*

## City of Poquoson, Virginia

## Statement of Net Assets - Proprietary Funds

June 30, 2007

Assets	Business-type Activities Proprietary Funds				Governmental Activities - Internal Service Funds
	Sewer Operation	Parks and Recreation	Solid Waste	Totals	
<b>Current assets</b>					
Cash and investments	\$ 1,296,046	\$ 24,853	\$ 404,343	\$ 1,725,242	\$ 134,988
Accounts receivable	259,606	-	30,757	290,363	102
Notes and interest receivable	4,135	-	-	4,135	-
Inventory	-	-	10,517	10,517	25,030
Prepaid expenses	-	10,550	-	10,550	-
<b>Total current assets</b>	<b>1,559,787</b>	<b>35,403</b>	<b>445,617</b>	<b>2,040,807</b>	<b>160,120</b>
<b>Noncurrent assets</b>					
Capital assets:					
Land	214,666	28,550	-	243,216	-
Buildings	-	254,179	9,943	264,122	41,742
Sewer system	21,645,904	-	-	21,645,904	-
Equipment	476,424	143,406	614,196	1,234,026	31,887
Less - accumulated depreciation	(6,188,995)	(270,826)	(375,146)	(6,834,967)	(55,036)
Total capital assets (net of accumulated depreciation)	16,147,999	155,309	248,993	16,552,301	18,593
Intangible assets	27,455	-	-	27,455	-
<b>Total noncurrent assets</b>	<b>16,175,454</b>	<b>155,309</b>	<b>248,993</b>	<b>16,579,756</b>	<b>18,593</b>
	\$ 17,735,241	\$ 190,712	\$ 694,610	\$ 18,620,563	\$ 178,713
<b>Liabilities</b>					
<b>Current liabilities</b>					
Vouchers and accounts payable	\$ 7,179	\$ 47,708	\$ 31,513	\$ 86,400	\$ 11,043
Accrued payroll	698	1,390	347	2,435	781
Accrued interest	138,749	-	-	138,749	-
Compensated absences	16,813	11,256	4,388	32,457	22,279
Bonds, notes payable and capital lease obligations - current portion	771,690	-	-	771,690	-
<b>Total current liabilities</b>	<b>935,129</b>	<b>60,354</b>	<b>36,248</b>	<b>1,031,731</b>	<b>34,103</b>
<b>Noncurrent liabilities</b>					
Bonds, notes payable and capital lease obligations - less current portion	10,263,844	-	-	10,263,844	-
<b>Total noncurrent liabilities</b>	<b>10,263,844</b>	<b>-</b>	<b>-</b>	<b>10,263,844</b>	<b>-</b>
<b>Total liabilities</b>	<b>11,198,973</b>	<b>60,354</b>	<b>36,248</b>	<b>11,295,575</b>	<b>34,103</b>
<b>Net Assets</b>					
Invested in capital assets - net of related debt	5,112,465	155,309	248,993	5,516,767	18,593
Unrestricted	1,423,803	(24,951)	409,369	1,808,221	126,017
<b>Total net assets</b>	<b>6,536,268</b>	<b>130,358</b>	<b>658,362</b>	<b>7,324,988</b>	<b>144,610</b>
	\$ 17,735,241	\$ 190,712	\$ 694,610	\$ 18,620,563	\$ 178,713

The accompanying notes are an integral part of the basic financial statements.



## City of Poquoson, Virginia

## Statement of Revenue, Expenditures, and Changes in Fund Net Assets - Proprietary Funds

Year Ended June 30, 2007

	Proprietary Fund Types				Internal Service Fund
	Sewer Operation	Parks and Recreation	Solid Waste	Total	
<b>Operating revenues</b>					
Charges for services	\$ 1,433,913	\$ 209,147	\$ 329,172	\$ 1,972,232	\$ 759,553
Festivals	-	145,101	-	145,101	-
Miscellaneous	-	2,075	-	2,075	-
<b>Total operating revenues</b>	<u>1,433,913</u>	<u>356,323</u>	<u>329,172</u>	<u>2,119,408</u>	<u>759,553</u>
<b>Operating expenses</b>					
Personnel services	246,281	170,894	105,452	522,627	270,447
Contractual services	59,780	216,120	12,795	288,695	48,764
Materials and supplies	40,013	33,313	95,273	168,599	382,701
Utilities	49,605	33,319	72	82,996	3,809
Depreciation and amortization	657,486	16,190	48,458	722,134	3,297
Other charges	74,308	3,918	45,246	123,472	12,517
Waste disposal	-	-	287,913	287,913	-
<b>Total operating expenses</b>	<u>1,127,473</u>	<u>473,754</u>	<u>595,209</u>	<u>2,196,436</u>	<u>721,535</u>
<b>Operating income (loss)</b>	<u>306,440</u>	<u>(117,431)</u>	<u>(266,037)</u>	<u>(77,028)</u>	<u>38,018</u>
<b>Nonoperating revenues (expenses)</b>					
Interest income	37,913	-	-	37,913	-
Interest and fiscal charges	(469,126)	-	-	(469,126)	-
Sewer availability fees	370,000	-	-	370,000	-
<b>Net nonoperating revenues (expenses)</b>	<u>(61,213)</u>	<u>-</u>	<u>-</u>	<u>(61,213)</u>	<u>-</u>
<b>Income (loss) before transfers</b>	<u>245,227</u>	<u>(117,431)</u>	<u>(266,037)</u>	<u>(138,241)</u>	<u>38,018</u>
<b>Transfers</b>					
Transfer in	18,337	116,046	265,622	400,005	188
Transfers out	(130,000)	-	-	(130,000)	-
<b>Net transfers</b>	<u>(111,663)</u>	<u>116,046</u>	<u>265,622</u>	<u>270,005</u>	<u>188</u>
<b>Change in net assets</b>	<u>133,564</u>	<u>(1,385)</u>	<u>(415)</u>	<u>131,764</u>	<u>38,206</u>
<b>Net assets - July 1, 2006</b>	<u>6,402,704</u>	<u>131,743</u>	<u>658,777</u>	<u>7,193,224</u>	<u>106,404</u>
<b>Net assets - June 30, 2007</b>	<u>\$ 6,536,268</u>	<u>\$ 130,358</u>	<u>\$ 658,362</u>	<u>\$ 7,324,988</u>	<u>\$ 144,610</u>

The accompanying notes are an integral part of the basic financial statements.

## City of Poquoson, Virginia

## Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2007

	Proprietary Fund Types				Internal Service Fund
	Sewer Operation	Parks and Recreation	Solid Waste	Total	
<b>Cash flows from operating activities</b>					
Received from customers and users	\$ 1,432,639	\$ 356,323	\$ 324,386	\$ 2,113,348	\$ 759,533
Payments to suppliers for goods and services	(238,490)	(272,575)	(443,243)	(954,308)	(446,446)
Payments to employees	(252,081)	(175,059)	(106,878)	(534,018)	(274,448)
<b>Net cash provided by (used in) operating activities</b>	<b>942,068</b>	<b>(91,311)</b>	<b>(225,735)</b>	<b>625,022</b>	<b>38,639</b>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	(130,000)	-	-	(130,000)	-
Transfers from other funds	18,337	116,046	265,622	400,005	188
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(111,663)</b>	<b>116,046</b>	<b>265,622</b>	<b>270,005</b>	<b>188</b>
<b>Cash flows from capital and related financing activities</b>					
Principal paid on capital debt	(733,212)	-	-	(733,212)	-
Proceeds from sales of capital assets	-	-	-	-	-
Sewer availability fees	370,000	-	-	370,000	-
Interest paid on capital debt	(481,830)	-	-	(481,830)	-
Acquisition and construction of capital assets	-	-	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(845,042)</b>	<b>-</b>	<b>-</b>	<b>(845,042)</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Interest received	37,913	-	-	37,913	-
<b>Net increase (decrease) in cash and investments</b>	<b>23,276</b>	<b>24,735</b>	<b>39,887</b>	<b>87,898</b>	<b>38,827</b>
<b>Cash and investments - beginning of year</b>	<b>1,272,770</b>	<b>118</b>	<b>364,456</b>	<b>1,637,344</b>	<b>96,161</b>
<b>Cash and investments - end of year</b>	<b>\$ 1,296,046</b>	<b>\$ 24,853</b>	<b>\$ 404,343</b>	<b>\$ 1,725,242</b>	<b>\$ 134,988</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 306,440	\$ (117,431)	\$ (266,037)	\$ (77,028)	\$ 38,018
Adjustments:					
Depreciation and amortization	657,486	16,190	48,458	722,134	3,297
Changes in assets and liabilities:					
Receivables - net	(1,274)	-	(4,786)	(6,060)	(20)
Inventories	-	-	(7,287)	(7,287)	(1,626)
Prepaid items	-	2,623	-	2,623	-
Vouchers and accounts payable	(14,784)	11,472	5,343	2,031	2,972
Accrued compensated absences	227	1,598	761	2,586	2,640
Accrued payroll	(6,027)	(5,763)	(2,187)	(13,977)	(6,642)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 942,068</b>	<b>\$ (91,311)</b>	<b>\$ (225,735)</b>	<b>\$ 625,022</b>	<b>\$ 38,639</b>

The accompanying notes are an integral part of the basic financial statements.

*City of Poquoson, Virginia**Statement of Fiduciary Net Assets*

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**June 30, 2007**

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<b>Assets</b>		Library Agency Fund
Cash and cash equivalents		<u>\$ 35,824</u>
<b>Liabilities</b>		
Amounts held in trust for library building		<u>\$ 35,824</u>

*The accompanying notes are an integral part of the basic financial statements.*

*City of Poquoson, Virginia**Combining Statement of Net Assets - Component Units***June 30, 2007**

<b>Assets</b>	Poquoson Public Schools	Industrial Development Authority	Total
Cash and cash equivalents	\$ 2,476,355	\$ 33,817	\$ 2,510,172
Accounts receivable	4,867	-	4,867
Due from other governments	436,166	554	436,720
Inventory	1,199	-	1,199
Capital assets - net	4,009,967	2,718,516	6,728,483
	<u>\$ 6,928,554</u>	<u>\$ 2,752,887</u>	<u>\$ 9,681,441</u>
<b>Liabilities</b>			
Vouchers and accounts payable	\$ 2,398,333	\$ 197	\$ 2,398,530
Line of credit	-	1,904,591	1,904,591
Compensated absences - current	25,788	-	25,788
Due to primary government	52,132	-	52,132
Compensated absences - noncurrent	114,269	-	114,269
<b>Total liabilities</b>	<u>2,590,522</u>	<u>1,904,788</u>	<u>4,495,310</u>
<b>Net Assets</b>			
Invested in capital assets	4,009,967	813,925	4,823,892
Unrestricted	328,065	34,174	362,239
<b>Total net assets</b>	<u>4,338,032</u>	<u>848,099</u>	<u>5,186,131</u>
	<u>\$ 6,928,554</u>	<u>\$ 2,752,887</u>	<u>\$ 9,681,441</u>

*The accompanying notes are an integral part of the basic financial statements.*



## City of Poquoson, Virginia

## Combining Statement of Activities - Component Units

Year Ended June 30, 2007		Net (Expense) Revenues and Changes in Net Assets				
		Program Revenues		Poquoson		
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Public Schools	Industrial Development Authority
Expense						Totals
Poquoson Public Schools Education	\$ 21,260,837	\$ 578,142	\$ 13,094,164	\$ -	\$ (7,588,531)	\$ -
Industrial Development Authority Economic Development	169,649	-	-	209,300	-	39,651
Total component units	\$ 21,430,486	\$ 578,142	\$ 13,094,164	\$ 209,300	\$ (7,588,531)	\$ (7,548,880)
General revenues						
City of Poquoson		7,879,409			123,861	8,003,270
Miscellaneous revenues		305,027			36,761	341,788
Loss on disposal of capital assets		(388,019)			-	(388,019)
Total general revenues		7,796,417			160,622	7,957,039
Change in net assets						
		207,886			200,273	408,159
Net assets - beginning of year						
		4,130,146			647,826	4,777,972
Net assets - end of year						
	\$	4,338,032	\$		848,099	\$ 5,186,131

The accompanying notes are an integral part of the basic financial statements.

# *City of Poquoson, Virginia*

## *Notes to Basic Financial Statements*

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June 30, 2007

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### 1. Summary of Significant Accounting Policies

The accounting policies of the *City of Poquoson, Virginia* and its component units conform to accounting principles generally accepted in the United States of America as applicable to government units. The following is a summary of the more significant accounting policies:

#### **Reporting Entity**

The *City of Poquoson, Virginia* (City) is a municipality governed by an elected seven-member council. The reporting entity of the City has been determined in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. As required by those principles, these financial statements present the *City of Poquoson, Virginia* (Primary Government) and its discretely presented component units, the City of Poquoson School Board (School Board) and the Industrial Development Authority (IDA).

The City's reporting entity consists of the Primary Government as well as its component units, which are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government).

The School Board is responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. The School Board is fiscally dependent upon the City because the City's governing body, City Council, levies the necessary taxes, approves the issuance of bonds, and provides the financial resources to be used for acquisition or construction of School Board facilities and to provide funding for the operations.

Therefore, the School Board is included in the component unit column of the City's financial statements because of the significance of its financial relationship with the City. Furthermore, the School Board meets the criteria for discrete presentation and is, therefore, presented in a separate component units column in the basic financial statements to emphasize that it is legally separate from the City. There are no separate financial statements issued for the School Board.

The Industrial Development Authority is a legally separate public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The IDA was established to promote industry, to develop trade within the City, and to attract institutions of higher education to locate or remain in the City. The IDA is also included in the component units column of the City's financial statements because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds a portion of the IDA's operating budget and guarantees its line of credit. Therefore, the IDA is financially dependent on the City. There are no separate financial statements issued for the IDA.

The entities described in Note 16, Related-Party Transactions, are excluded from the City's Comprehensive Annual Financial Report, as the City does not have financial accountability over their activities.

### **Financial Reporting Model**

GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permitted an optional delay for implementation to the fiscal year ending in 2007. The City implemented the basic model in fiscal year 2003 and completed the implementation of the infrastructure-related portion of the Statement this fiscal year.

### **Management's Discussion and Analysis**

GASB Statement No. 34 and GASB Statement No. 37 require financial statements to be accompanied by a narrative introduction of the basic financial statements and an analytical overview of the government's financial activities in the form of Management's Discussion and Analysis (MD&A).

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for services. Likewise, the *primary* government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund financial statements. The agency fund financial statements have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major City or School Board capital facilities, other than those financed by proprietary funds.

The *Grant Fund* accounts for resources and expenditures related to state and federal grants for community development and public safety.

The City reports the following major proprietary funds:

The *Sewer Operations Fund* provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees.

The *Parks and Recreation Fund* accounts for the operation of the City's pool and parks and derives its primary revenue from user fees for recreational programs.

The *Solid Waste Fund* accounts for the collection, disposal, and recycling of household and municipal solid waste, bulky items, and landscaping debris and derives its primary revenue from user fees.

Additionally, the City reports the following proprietary fund type:

The *Internal Service Fund* consists of the fleet management fund which accounts for the operation of the City's central automotive maintenance service facility. The fleet management fund provides services to all City and School Board departments and/or other governmental units on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Fiduciary Fund - Agency Fund Types**

The Fiduciary Fund is used to account for assets held by the City as an agent for a private organization. Fiduciary funds are not included in the government-wide financial statements since they are used to report assets held in trust for others and therefore cannot be used to support the City's own programs. The Fiduciary Fund type consists of the Agency Fund that accounts for monies donated by the Friends of the Library for furnishings and supplies for the library.

### **Component Unit - Industrial Development Authority**

The Industrial Development Authority, a legally separate organization, was established under the Industrial Development and Revenue Bond Act of the Code of Virginia and ordinances adopted by the City Council. City Council also appoints the IDA Board and approves the budget. The IDA is responsible for promoting industry and developing trade by inducing private enterprises to remain or relocate in the City. Its income is derived from appropriations from the City, fees and land sales, and rental of property. The IDA does not issue separate financial statements and, consequently, has been included in the financial statements as a component unit.

### **Component Unit - School Board**

There are no separate financial statements issued for the School Board and, consequently, combining statements that contain fund type data are included in the City's financial statements. Following are the School Board's funds.

#### ***School Board General Fund***

The General Fund is the general operating fund of the School Board. It is used to account for the general operation and administration costs of the school system. It receives funds transferred to it by the City's General Fund. It also derives revenue from state and federal funds allocated specifically for the operation of the school system.

#### ***School Board Special Revenue Fund***

The Special Revenue Fund is used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Accordingly, the Special Revenue Fund is used to account for operations of the various school cafeterias. Cafeteria revenue is comprised of federal grants and charges to students for meals and, accordingly, is restricted as to the purpose for which they may be used.

#### ***School Board Agency Funds***

The Agency Funds account for assets held in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The Poquoson Instructional Support Fund accounts for monies donated for support of several after school programs such as Odyssey of the Mind. The School Activities Fund is used to account for the funds of various student activities in each of the schools.



## **Budgeting and Budgetary Accounting**

Budgets are employed by the primary government as a financial control device for the General Fund, Debt Service Fund, Capital Projects Fund, Grant Fund and Proprietary Funds. An annual appropriated budget is legally adopted for the General Fund through ordinances passed by City Council.

Annual budgets prepared by management are utilized for the Debt Service Fund, Grant Fund and Proprietary Funds. Program and project budgets are utilized to control expenditures in the Capital Projects Fund. Therefore, the Debt Service Fund, Grant Fund, Capital Projects and Proprietary Funds are not included in the budget and actual comparisons.

The School Board approves the annual operating budget for its General Fund. An annual operating budget is not adopted for the School Board Special Revenue Fund; therefore, it is not included in the budget and actual comparison of the component unit.

For the School Board General Fund, the Superintendent has authorization to transfer funds within categories, but must obtain authorization from the School Board for transfers between categories. City Council appropriates local funds. The School Board must authorize any increase in grant funds.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that encumbrances are included as budgetary expenditures. Budgeted amounts reflected in the primary government are as originally adopted and amended by City Council.

Supplemental budget appropriations were approved during the fiscal year ended June 30, 2007, for an increase in appropriations in the amount of \$1,873,477 and \$374,994 for the primary government General Fund and School Board General Fund, respectively.

For the General Fund, the City Manager is authorized to transfer budgeted amounts between line items of departments. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Unencumbered appropriations lapse at year-end.

## **Cash and Cash Equivalents**

For purposes of the combined statement of cash flows for all proprietary fund types the City considers all highly liquid investments, including those classified as restricted cash which, when purchased, had a maturity of three months or less, to be cash equivalents.

## **Investments**

Investments consist of the State Treasurer's Local Government Investment Pool (LGIP), federal government obligations, money market funds, and the State Non-Arbitrage Program (SNAP). Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value. The City considers investments with a maturity date of three months or less when purchased to be cash and cash equivalents.

## **Capital Assets**

Capital outlays are recorded as expenditures of the governmental funds, and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.



Capital outlays of the proprietary funds and the IDA are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund's basis and the government-wide basis. For assets constructed, interest expense is capitalized on proprietary fund type assets financed with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. The City estimated the \$34.5 million in retroactive infrastructure capitalized at June 30, 2007, using current replacement costs for a similar asset and deflated this cost through the use of price indices to the acquisition year.

The City's capitalization policy threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at their estimated fair market value on the date donated. Assets acquired under capital leases are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings	40
Infrastructure	20 - 50
Machinery and equipment	3 - 50

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the current year's operations.

#### **Allowance for Uncollectible Accounts**

The City (primary government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2007, the allowance approximated \$305,000 in the General Fund. All other receivables have experienced a high collection rate; therefore, an allowance for doubtful accounts has not been established by City management for other receivables.

#### **Inventory**

Inventory in the Solid Waste Fund and the Special Revenue Fund of the School Board consist principally of items held for resale and are valued at cost (first-in, first-out method).

Inventory in the Fleet Management Fund (Internal Service Fund) consists of supplies held for future use and is valued at average cost (weighted average method).

Reported inventory for the Special Revenue Fund of the School Board is offset by a fund balance reserve which indicates it does not constitute "available expendable resources."

Inventory is recognized as expenditures when consumed.

#### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and Capital Projects Fund of the City.

While encumbrances do not constitute expenditures in accordance with accounting principles generally accepted in the United States of America, encumbrances outstanding at year-end do not lapse and are reported as reservations of fund balances.

Encumbrance accounting is also employed as an extension of formal budgetary control in the School Board General Fund of the component unit. Again, encumbrances outstanding at year-end do not lapse and are reported as reservations of fund balance.

### **Compensated Absences**

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources, both the current and noncurrent portions, is accounted for as a liability in the government-wide financial statements and proprietary fund financial statements, and charged to the general governmental fund, sewer fund, parks and recreation fund, solid waste fund and internal service fund based upon employees' duties. Compensated absences are reported in governmental funds only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement).

The component unit School Board also accrues compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences are recorded in the School Board component unit government-wide financial statements.

### **Sewer Availability Fees**

Amounts charged customers to connect to the City's sewer system are recognized as nonoperating revenue.

### **Deferred Revenue**

Deferred revenue in the governmental fund types consists of revenue that is measurable but not available for use during the current period. Property taxes receivable at June 30, not collected within 45 days after that date are reported as deferred revenue in the accompanying combined financial statements. Grants, where the earnings process is not complete, are also reported as deferred revenue.

### **Estimates**

The preparation of financial statements in accordance 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, liabilities, revenue and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

### **Credit Risk**

The assessed value of real estate for the City's ten largest taxpayers comprises 4.2% of the City's real estate tax base. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the City's customer base.

## **2. Deposits and Investments**

### **Deposits**

At year-end, the carrying value of the primary government's deposits with banks and savings institutions was \$4,734,168, including agency fund cash of \$35,824, and the bank balance was \$6,535,355 including cash with fiscal agents. Of the bank balance, 100% was covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (Act).

Under this Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral equal to 50% of such deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

However, all qualified bank's public deposits are considered 100% "insured" (per GASB Statement No. 3, paragraph 11) because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2007, no balances of the primary government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

The carrying amount of deposits for the School Board was \$2,476,150 and the bank balance was \$3,199,246. The bank balance was covered by Federal Depository Insurance Corporation or collateralized in accordance with the Act. At June 30, 2007, no balances of the component unit were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

### **Investments**

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a-7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with portfolio securities valued by the amortized cost method. The fair value of the LGIP is the same as the value of the pool shares. Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value. As of June 30, 2007, the City had \$16,279,091 invested in the State Non-Arbitrage Program (SNAP). SNAP funds are rated AAA by Standard & Poor's. LGIP funds are rated AAAM by Standard & Poor's.

### **Investment Policy**

In accordance with the Code of Virginia and other applicable laws and regulations, the City's investment policy (Policy) permits investments in U.S. government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (Virginia LGIP, a 2a-7 like pool).

The policy establishes limitations on the holdings on non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

Commonwealth of Virginia LGIP	100% maximum
Repurchase Agreements	50% maximum
Bankers' Acceptances	40% maximum
Commercial Paper	20% maximum
Negotiable Certificates of Deposit/Bank Notes	20% maximum
Municipal Obligations	20% maximum
Corporate notes	10% maximum
Bank deposits	15% maximum

For the purposes of this Policy, assets of the City shall be segregated into three categories based on expected liquidity needs and purposes: short-term operating funds, the core portfolio and bond proceeds.

#### *Short-Term Operating Funds*

Assets categorized as short-term funds will be invested in permitted investments maturing in twelve (12) months or less. The average weighted maturity of the short-term assets will not exceed 180 days. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio will be continuously invested in readily available funds such as the LGIP, money market mutual funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

#### *Core Portfolio*

The general fund core portfolio will be invested in permitted investments with a stated maturity of no more than three years from the date of purchase.

#### *Bond Proceeds*

Proceeds from the sale of bonds will be invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term to maturity of securities purchased. However, in no case will bond proceeds be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds.

#### **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 short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk. The City's investments held by Scott & Stringfellow are rated AAA by Standard & Poor's.

### Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the City's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each Money Market Fund	50% maximum
Each Repurchase Agreement Counterparty	25% maximum

### Interest Rate Risk

As means of limiting exposure to fair value losses arising from rising interest rates, the City's policy limits investment of operating funds to investments with a stated maturity of no more than three years from the date of purchase.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

### Custodial Risk

For an investment, custodial risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the City or held as collateral on deposits or investments shall be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2007, with the exception of the Virginia LGIP, all of the City's investments are held in a bank's trust department in the City's name.

As of June 30, 2007, the carrying values and weighted average maturity of the City's investments were as follows:

	Investment Maturities (in years)		
	Fair value	Less than 1 year	1-3 years
Money market funds - Virginia LGIP	\$ 633,068	\$ 633,068	\$ -
Money market funds - Scott & Stringfellow	148,437	148,437	-
Money market funds - RBC Dain Rauscher	24,175	24,175	
U.S. government agencies	1,224,895	-	1,224,895
Certificates of deposit	593,497	593,497	-
Virginia SNAP Accounts	16,279,091	-	16,279,091
Total investments	18,903,163	\$ 1,399,177	\$ 17,503,986
Reconciliation to total cash and investments			
Add:			
Cash on hand and in banks	4,701,810		
Total cash and investments	\$ 23,604,973		

### 3. Property Taxes Receivable

Real estate taxes are levied based on the assessed value of the property on each July 1 and attach as an enforceable lien on property as of July 1. Personal property taxes are levied based on the assessed value of the property on each January 1. Real estate and personal property taxes are payable in two installments on December 5th and June 5th. The City bills and collects its own property taxes.



4. **Notes Receivable**

Notes receivable of the Sewer Operations Fund represent agreements between the City and residents for payment of sewer availability fees. The original face value of each note of \$3,000 is to be paid in 36 monthly principal installments of \$92.50 plus interest, at an effective annual rate of 7%.

5. **Due From Other Governmental Units**

Due from other governmental units at June 30, 2007, consists of the following:

**Primary Government**

	General Fund
<u>Commonwealth of Virginia</u>	
Comprehensive Services Act	\$ 106,658
Sales tax	43,349
Division of Motor Vehicles reimbursement	8,413
Compensation Board	16,839
Wireless E911 PSAP Funding	14,266
Communications Sales and Use tax	37,703
VOPEX Grant	20,482
HMGP Grant	38,106
PPTRA	884,118
Total due from the Commonwealth of Virginia	<u>1,169,934</u>
<u>Federal Government</u>	
COPS Fast Grant	12,500
DUI Grants - Selective Enforcement	4,127
DMV Click it or Ticket Mini Grant	1,000
HMGP Grant	142,896
CDBG	20,235
Total due from the federal government	<u>180,758</u>
Total due from other governmental units	<u>\$ 1,350,692</u>

**Component Unit - School Board**

<u>Commonwealth of Virginia</u>	
State sales tax	\$ 172,027
State technology reimbursement	154,000
Total due from the Commonwealth of Virginia	<u>326,027</u>
<u>Federal Government</u>	
Department of Education Program	
Title I & II	7,982
Title IV	2,790
Title VI-B	99,120
Various grants	247
Total due from the federal government	<u>110,139</u>
Total due from the other governmental units	<u>\$ 436,166</u>



## 6. Interfund Receivables and Payables

Details of the receivables and payables between the primary government and the component units at June 30, 2007, are as follows:

Primary Government Receivable Fund	Component Unit Payable Fund	Amount
City General Fund	School General Fund	\$ 52,132

## 7. Capital Assets

A summary of changes in capital assets for the primary government follows:

	Restated Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 2,983,858	\$ 172,605	\$ 207,653	\$ 2,948,810
Construction-in-process	708,856	7,791,454	1,729,314	6,770,996
<b>Total capital assets not being depreciated</b>	3,692,714	7,964,059	1,936,967	9,719,806
<b>Other capital assets</b>				
Buildings	7,094,403	217,579	134,911	7,177,071
Infrastructure	35,742,923	-	-	35,742,923
Land improvements	-	1,219,482	-	1,219,482
Machinery and equipment	5,213,715	184,051	78,085	5,319,681
<b>Total other capital assets</b>	48,051,041	1,621,112	212,996	49,459,157
<b>Less - accumulated depreciation</b>				
Buildings	2,037,671	179,451	3,373	2,213,749
Infrastructure	31,472,393	72,835	-	31,545,228
Land improvements	-	60,974	-	60,974
Machinery and equipment	2,500,341	334,284	78,085	2,756,540
<b>Total accumulated depreciation</b>	36,010,405	647,544	81,458	36,576,491
<b>Other capital assets - net</b>	12,040,636	973,568	131,538	12,882,666
	15,733,350	8,937,627	2,068,505	22,602,472
<b>Allocation of School Board Assets</b>				
Buildings	10,685,346	-	-	10,685,346
<b>Less - accumulated depreciation</b>				
Buildings	2,331,806	213,706	-	2,545,512
<b>Total allocated to City</b>	8,353,540			8,139,834
<b>Total</b>	<u>\$ 24,086,890</u>			<u>\$ 30,742,306</u>

The gross cost and accumulated depreciation balances at June 30, 2006, for the primary government were restated to capitalize infrastructure assets and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. Balances as of June 30, 2006, were restated as follows:

	Balance June 30, 2006	Effect of Restatement	Restated Balance June 30, 2006
Land	\$ 2,983,858	\$ -	\$ 2,983,858
Construction-in-progress	708,856	-	708,856
Buildings	7,094,403	-	7,094,403
Infrastructure	1,259,512	34,483,411	35,742,923
Machinery and equipment	5,213,715	-	5,213,715
Sub-Total	17,260,344	34,483,411	51,743,755
Less - accumulated depreciation	4,636,904	31,373,501	36,010,405
	12,623,440	3,109,910	15,733,350
Allocation of School Board Assets			
Buildings	10,685,346	-	10,685,346
Less - accumulated depreciation	2,331,806	-	2,331,806
Total allocated to City	8,353,540		8,353,540
<b>Total</b>	<b>\$ 20,976,980</b>		<b>\$ 24,086,890</b>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 149,833
Public Safety	261,409
Public Works	80,054
Health and Welfare	18,871
Parks, Recreation, and Cultural	133,189
Nondepartmental	4,188
Education	213,706
	<u>\$ 861,250</u>

A summary of changes in capital assets for the enterprise funds is as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 243,216	\$ -	\$ -	\$ 243,216
<b>Other capital assets</b>				
Buildings	264,122	-	-	264,122
Machinery and equipment	1,234,026	-	-	1,234,026
Sewer system	21,638,904	-	-	21,638,904
Sewer easement	7,000	-	-	7,000
<b>Total other capital assets</b>	<b>23,144,052</b>	<b>-</b>	<b>-</b>	<b>23,144,052</b>
<b>Less - accumulated depreciation</b>				
Buildings	246,691	3,112	-	249,803
Machinery and equipment	648,628	99,372	-	748,000
Sewer system	5,220,371	616,793	-	5,837,164
<b>Total accumulated depreciation</b>	<b>6,115,690</b>	<b>719,277</b>	<b>-</b>	<b>6,834,967</b>
<b>Other capital assets - net</b>	<b>17,028,362</b>	<b>(719,277)</b>	<b>-</b>	<b>16,309,085</b>
<b>Total</b>	<b>\$ 17,271,578</b>	<b>\$ (719,277)</b>	<b>\$ -</b>	<b>\$ 16,552,301</b>

A summary of changes in capital assets for the Component Unit - School Board follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 243,223	\$ 207,653	\$ -	\$ 450,876
<b>Other capital assets</b>				
Buildings	18,068,595	212,826	74,640	18,206,781
Machinery and equipment	3,129,624	204,135	1,247,032	2,086,727
<b>Total other capital assets</b>	<b>21,198,219</b>	<b>416,961</b>	<b>1,321,672</b>	<b>20,293,508</b>
<b>Less - accumulated depreciation</b>				
Buildings	6,652,274	375,964	42,165	6,986,073
Machinery and equipment	2,419,245	80,754	891,488	1,608,511
<b>Total accumulated depreciation</b>	<b>9,071,519</b>	<b>456,718</b>	<b>933,653</b>	<b>8,594,584</b>
<b>Other capital assets - net</b>	<b>12,126,700</b>	<b>(39,757)</b>	<b>388,019</b>	<b>11,698,924</b>
	<b>12,369,923</b>	<b>167,896</b>	<b>388,019</b>	<b>12,149,800</b>
<b>Allocation to City</b>				
Buildings	(10,685,346)	-	-	(10,685,346)
<b>Less - accumulated depreciation</b>	<b>2,331,806</b>	<b>213,706</b>	<b>-</b>	<b>2,545,512</b>
<b>Total allocated to City</b>	<b>(8,353,540)</b>			<b>(8,139,834)</b>
<b>Total</b>	<b>\$ 4,016,383</b>			<b>\$ 4,009,966</b>

A summary of the changes in capital assets for the Industrial Development Authority is as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 2,174,900	\$ 92,916	\$ -	\$ 2,267,816
<b>Other capital assets</b>				
Buildings	118,858	116,395	-	235,253
Infrastructure	315,273	-	-	315,273
<b>Total other capital assets</b>	<b>434,131</b>	<b>116,395</b>	<b>-</b>	<b>550,526</b>
<b>Less – accumulated depreciation</b>				
Buildings	31,840	10,662	-	42,502
Infrastructure	42,993	14,331	-	57,324
<b>Total accumulated depreciation</b>	<b>74,833</b>	<b>24,993</b>	<b>-</b>	<b>99,826</b>
<b>Other capital assets - net</b>	<b>359,298</b>	<b>91,402</b>	<b>-</b>	<b>450,700</b>
<b>Total</b>	<b>\$ 2,534,198</b>	<b>\$ 184,318</b>	<b>\$ -</b>	<b>\$ 2,718,516</b>

## 8. Long-Term Obligations

### Governmental Activities

Following is a summary of the changes in long-term liabilities for governmental activities and its component unit - School Board, respectively, for the year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Amounts due within one year
<b>General obligations</b>					
Debts payable:					
General obligation bonds	\$ 20,966,951	\$ 8,000,000	\$ 624,980	\$ 28,341,971	\$ 880,554
General obligation leases	591,024	-	65,125	525,899	86,299
State Literary Fund loans	3,969,820	-	402,000	3,567,820	402,000
Deferred charge - refunding	(155,434)	-	(16,361)	(139,073)	-
	25,372,361	8,000,000	1,075,744	32,296,617	1,368,853
Accrued benefits:					
Accrued compensated absences	462,006	635,927	620,306	477,627	28,660
<b>Component Unit - School Board</b>					
Accrued benefits:					
Accrued compensated absences	\$ 157,833	\$ -	\$ 17,776	\$ 140,057	\$ 25,788

Outstanding general obligation bonds at June 30, 2007, of the City's governmental activities are comprised of the following:

<b><i>School Serial Bonds of 1989</i></b> - \$1,500,000 bonds issued and due in annual installments varying from \$55,000 to \$90,000 through December 2009, with interest payable semi-annually at rates varying from 6.85% to 7.20%.	\$ 205,000
<b><i>High School Serial Bonds of 1998</i></b> - \$650,000 bonds issued and due in annual installments varying from \$30,000 to \$35,000 through July 2018, with interest payable semi-annually at rates varying from 3.60% to 5.10%.	370,000
<b><i>General Obligation Court Facility Bond Series 1998A</i></b> - \$1,546,415 bonds issued and due in annual installments varying from \$43,594 to \$122,839, through March 2016, with interest paid semi-annually at 4.5%.	933,075
<b><i>General Obligation Fire Station Bond Series 2000</i></b> - \$925,000 bonds issued and due in semi-annual principal and interest installments of \$45,471 through September 2015. The bonds bear interest at 5.43%.	611,776
<b><i>General Obligation Refunding Note Series 2001</i></b> - \$647,428 note payable due in annual installments ranging from \$68,109 to \$68,690 including principal and interest at 6.82%, through January 2016.	447,167
<b><i>General Obligation Public Improvement Equipment Note Series 2002B</i></b> - \$597,000 bonds issued and due in annual installments of \$72,304, including principal and interest at 4.34%, through June 2011.	264,953
<b><i>General Obligation Refunding Note Series 2002</i></b> - \$3,405,000 bonds issued and due in annual installments varying from \$35,000 to \$385,000 through January 2016, with interest paid semi-annually at 2.5% to 3.72%.	3,010,000
<b><i>General Obligation Bond, Series 2005</i></b> - \$5,000,000 bonds issued and due in semi-annual installments beginning August 2007 varying from \$92,000 to \$400,000 through August 2026, with interest paid semi-annually at 3.86%. Interest only payments are due semi-annually until August 2007.	5,000,000
<b><i>General Obligation Bond Literary Loan Anticipation Note, Series 2006A</i></b> - \$2,384,000 bonds issued and due in one payment of \$2,384,000 principal and interest of 3.4% in August 2010. Semi-annual interest payment of 3.4% are due until August 2010.	2,384,000
<b><i>General Obligation Public Bond, Series 2006B</i></b> - \$7,116,000 bonds issued and due in semi-annual installments beginning August 2007 varying from \$140,000 to \$605,900 through August 2027, with interest paid semi-annually at 3.99%. Interest only payments are due semi-annually until August 2007.	7,116,000
<b><i>General Obligation Public Bond, Series 2007</i></b> - \$8,000,000 bonds issued and due in semi-annual installments beginning August 2007 varying from \$10,000 to \$724,100 through August 2027, with interest paid semi-annually at 3.85%. Interest only payments are due semi-annually until August 2007.	8,000,000
<b>Total general obligation bonds</b>	<u>\$ 28,341,971</u>

Estimated annual debt service requirements to maturity for general obligation bonds for future years ending June 30, follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 880,554	\$ 1,129,334
2009	941,472	1,075,383
2010	984,430	1,036,552
2011	3,467,052	952,325
2012	1,021,310	866,908
2013-2017	5,914,253	3,618,324
2018-2022	6,915,800	2,314,472
2023-2027	8,217,100	813,588
	<u>\$ 28,341,971</u>	<u>\$ 11,806,886</u>

In October 2004, the City of Poquoson entered into a capital lease to purchase two fire trucks, which were capitalized in the financial statements at June 30, 2007, at a cost of \$708,522. At June 30, 2007, accumulated depreciation under this lease totaled \$42,512.

The balance of this lease as of June 30, 2007, was \$525,899. Future minimum lease payments under capital lease and present value of the minimum lease payments as of June 30, 2007, are as follows:

2008	\$ 105,134
2009	102,719
2010	100,217
2011	97,626
2012	94,941
2013-2014	<u>103,249</u>
Total minimum lease payments	603,886
Less - imputed interest	<u>(77,987)</u>
	525,899
Less - current portion	<u>(86,299)</u>
Long-term portion	<u>\$ 439,600</u>

### Advance Refunding

In November 2002, the City of Poquoson issued \$3,405,000 of general obligation refunding bonds to provide resources to purchase U.S. government bonds that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$3,175,000 of general obligation bonds. The initial payment from the escrowed funds was made in January 2007. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's governmental activities column on the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$230,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life as the old debt. This advance refunding was undertaken to reduce total debt service payments over a 13 year period by \$333,000 and resulted in a net present value savings of \$281,070. The advance refunded debt was legally defeased on January 1, 2004.



Outstanding literary loan funds at June 30, 2007, of the Primary Governmental activities are comprised of the following issues:

<b>Primary School Literary Fund Loan</b> - \$2,500,000 loan issued September 15, 1989, due in annual installments of \$125,000 through August 2009, with interest at 3%.	\$ 375,000
<b>Primary School Literary Fund Loan</b> - \$408,820 loan issued August 15, 1998, due in annual installments of \$27,000 through August 2012, and a final payment of \$30,820 due in August 2013, with interest at 3%.	192,820
<b>High School Literary Fund Loan</b> - \$5,000,000 loan issued November 17, 1998, due in annual installments of \$250,000 through December 2018, with interest at 3%.	3,000,000
<b>Total state literary fund loans outstanding</b>	<u>\$ 3,567,820</u>

Estimated state literary fund loans debt service requirements to maturity for future years ending June 30, follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 402,000	\$ 107,035
2009	402,000	94,975
2010	402,000	82,915
2011	277,000	70,855
2012	277,000	62,545
2013-2017	1,307,820	190,159
2018-2019	500,000	22,500
	<u>\$ 3,567,820</u>	<u>\$ 630,984</u>

#### Debt Limit

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to ten percent of total assessed value of real property. As of June 30, 2007, the City's aggregate general obligation indebtedness, excluding proprietary fund debt, was \$60,014,297 less than the allowable limit.

#### Overlapping Debt

There are no overlapping or underlying tax jurisdictions.

### 9. Long-Term Liabilities - Business-Type Activities

Following is a summary of debt transactions of the enterprise funds for the fiscal year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>	<u>Amounts due within one year</u>
<b>Enterprise Funds</b>					
General obligation bonds	\$ 12,049,089	\$ -	\$ 768,762	\$ 11,280,327	\$ 771,690
Accounting loss on refunding	(285,920)	35,550	-	(250,370)	-
Bond premium	5,577	-	-	5,577	-
	<u>11,768,746</u>	<u>35,550</u>	<u>768,762</u>	<u>11,035,534</u>	<u>771,690</u>
Accrued compensated absences	29,871	38,944	36,358	32,457	1,949
	<u>\$ 11,798,617</u>	<u>\$ 74,494</u>	<u>\$ 805,120</u>	<u>\$ 11,067,991</u>	<u>\$ 773,639</u>

General long-term obligations and notes payable at June 30, 2007, are comprised of the following:

**General Obligation Sewer System Refunding Bonds, Series 1998B**

(December 1998) - \$2,294,591 bonds issued and due in annual installments varying from \$21,809 to \$235,256, through September 2017, with interest payable semi-annually at 4.5%. \$ 2,118,277

**General Obligation Sewer Bonds, Series 2000B (May 2000)** - \$2,664,671

bonds issued with interest only due on the outstanding balance at March 1, 2001, at 3.5%. Commencing on September 1, 2001, principal and interest due in semi-annual installments of \$94,847 through September 2020, at a rate of 3.5%. 2,027,028

**General Obligation Sewer Bonds, Series 2000A (May 2000)** - \$7,335,329

bonds authorized and issued, with interest only due on the outstanding balance at March 1, 2001. Commencing on September 1, 2001, principal and interest due in semi-annual installments of \$261,093 through September 2020, at a rate of 3.5%. 5,580,022

**General Obligation Sewer Bonds, Series 2002** - \$1,095,000 bonds issued

and due in annual installments varying from \$55,057 to \$82,040 through April 2022 with interest payable semi-annually at rates varying from 3.10% to 5.10%. 905,000

**General Obligation Sewer System Refunding Bonds Series 2003**

(December 2003)- \$990,000 bonds issued and due in annual installments varying from \$110,000 to \$140,000, through January 2012, with interest payable semi-annually at 2.92%. 650,000

Accounting loss on refundings 11,280,327

Bond premium (250,370)

**Total general obligation bonds outstanding**

\$ 5,577

\$ 11,035,534

Estimated debt service on the foregoing general obligation bonds recorded in the enterprise funds is payable during future fiscal years ending June 30, as follows:

Year	Principal	Interest
2008	\$ 771,690	\$ 382,081
2009	795,971	353,848
2010	825,565	324,062
2011	855,482	293,638
2012	885,888	262,106
2013-2017	4,209,537	925,261
2018-2022	2,936,194	231,279
	\$ 11,280,327	\$ 2,772,275

The City anticipates that all amounts required for the payment of interest and principal on these bonds will be provided by the Enterprise Fund's revenue; however, the bonds are further collateralized by the full faith and credit of the City.

**Advanced and Current Refundings**

In prior years, the City advanced refunded certain Sewer General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2007, \$2,015,000 of the bonds outstanding is considered to be an in-substance defeasance. The debt was legally defeased on September 1, 2004.

In December 2003, the City of Poquoson issued \$990,000 of general obligation refunding bonds to currently refund \$935,000 of general obligation refunding bonds. The refunded bonds are considered to be legally defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$55,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life as the old debt. This advance refunding was undertaken to reduce total debt service payments over a 8 year period by \$60,089 and resulted in a net present value savings of \$54,656.

The unamortized amount deferred on the sewer refundings of \$250,370 is reported in the accompanying financial statements as a reduction of bonds payable, and is being charged to operations as a component of interest through the year 2016 using the straight-line method.

#### 10. **Current Liabilities - Component Unit - Industrial Development Authority (IDA)**

##### **Line of Credit**

The IDA uses a \$3,000,000 line of credit with a bank to finance a variety of land purchases. The line of credit expires on March 31, 2008, and bears interest at 6.82% and is unsecured. Short-term activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Draws	Repayments	Balance June 30, 2007
Line of credit	\$ 1,859,091	\$ 45,500	\$ -	\$ 1,904,591

#### 11. **Conduit Debt Obligation**

On July 1, 2001 and September 12, 2005, the IDA issued \$10,000,000 and \$5,000,000 YMCA Revenue Bonds, respectively, to finance the acquisition and construction of the Peninsula Metropolitan YMCA (YMCA). On November 1, 2003, the IDA issued \$5,000,000 Nansemond-Suffolk Academy (NSA) Revenue bonds to finance an addition. On July 13, 2004, the IDA issued \$7,500,000 Hampton-Newport News Community Services Board (HNNCSB) revenue bonds to acquire the former Hampton Medical Center and to finance improvements. The costs of financing the projects, all expenses of issuing the bonds and the payments of bond principals and interest are the responsibility of the YMCA, the NSA, and the HNNCSB, respectively. The bonds provide that neither the IDA nor the City shall be obligated to pay the bonds or interest thereon or other costs incident thereto. At June 30, 2007, \$24,915,956 remained outstanding.

#### 12. **Unearned Revenue**

Unearned revenue for the primary government at June 30, 2007, consists of real and personal property taxes not collected within 45 days after June 30, 2007, and grant money received but not yet expended.

#### 13. **Contingency**

The City receives grant funds, principally from the United States government, for various programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, no material refunds will be required as a result of future disallowances of current or prior program expenditures.

#### 14. Certain Interfund Transactions and Fund Results

##### Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were made up of the following:

	Transfers In	Transfers Out
General Fund	\$ 130,000	\$ 3,684,574
Debt Service Fund	2,427,570	-
Capital Projects Fund	758,180	-
Parks and Recreation Fund	116,046	-
Special Revenue Fund	98,631	-
Fleet Fund	188	-
Sewer Operations Fund	18,337	130,000
Solid Waste Fund	265,622	-
	<u>\$ 3,814,574</u>	<u>\$ 3,814,574</u>

Purpose:

Transfers from General Fund:

<u>\$ 2,427,570</u>	Debt Service Fund: current year debt payments.
<u>\$ 758,180</u>	Capital Projects Fund: funding for pay-as-you-go capital projects.
<u>\$ 116,046</u>	Parks and Recreation Fund: fund deficit in special events and pool dome.
<u>\$ 265,622</u>	Solid Waste Fund: fund bulk item pickup.
<u>\$ 98,631</u>	Special Revenue Fund: funding for elevation project costs not covered by grants.
<u>\$ 18,337</u>	Sewer Fund: fund FEMA expenses/reimbursements for costs associated with Hurricane Ernesto.
<u>\$ 188</u>	Fleet Fund: fund FEMA expenses/reimbursements for costs associated with Hurricane Ernesto.

Transfers from Sewer Operations Fund:

<u>\$ 130,000</u>	General Fund: allocate administration costs paid out of General Fund for sewer services.
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#### 15. Surety Bonds

The City maintained the following surety bond coverage's on certain employees of the primary government and component unit during the fiscal year ended June 30, 2007:

Description	Amount
Virginia Municipal Liability Pool - All City employees - employee dishonesty blanket bond	\$ 500,000
Forest T. Jones & Company, Inc.:	
Janet A. Brown, Executive Director of Business and Finance,	
School Board, Clerk of the School Board	\$ 10,000
Dr. Marilyn F. Barr, Deputy Clerk of the School Board	\$ 10,000
All School Board employees - blanket bond	\$ 1,000,000

The Commonwealth of Virginia maintained the following surety bond and blanket bond coverage on certain employees pursuant to Section 2.1-526.9 of the Code of Virginia. The coverage with respect to the Treasurer does not extend to the loss of any City funds.

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - Surety, Faithful Performance of Duty Schedule, Position Bond: Treasurer and employees	\$ 500,000
Commonwealth of Virginia Faithful Performance Of Duty Bond: Treasurer	\$ 500,000
Director of Finance	\$ 500,000
Clerk of the Court	\$ 103,000
Commissioner of the Revenue	\$ 3,000

#### 16. **Related-Party Transactions**

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Alliance for Economic Development (PAED), the Colonial Services Board (CSB) and the Greater Peninsula Workforce Development Consortium (GPWDC). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2007, the City provided support to HRPDC of \$27,114, VPPSA of \$215,980, PAED of \$5,967, CSB of \$117,490 and GPWDC of \$5,325.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2007, the City incurred expenses for the jail and center of \$104,640 and \$41,075, respectively. Notes issued by the regional jail are limited obligations payable from revenues received from the member jurisdictions. The City, along with three other member jurisdictions, have agreed to provide funding makeup support to cover any deficiencies in the regional jail's debt service fund based on each member's utilization rate.

The City of Poquoson shares certain services and their associated costs with York County, including the Circuit Court, the Commonwealth's Attorney and the sheriff of York County. The City also shares social services with York County. During the year ended June 30, 2007, the City paid \$364,225 to York County for these shared services.

The School Board's financial statements do not include the New Horizons Education Center. During the year ended June 30, 2007, the School Board provided support of \$525,340 to the New Horizons Education Center.

#### 17. **Defined Benefit Retirement Plan**

##### **A. Plan Description**

The City contributes to the Virginia Retirement System (VRS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. In addition, professional and nonprofessional employees of the Poquoson School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool and nonprofessional employees participate as a separate group in the agent multiple-employer retirement system.



All full-time, salaried permanent employees of participating employers must participate in the VRS. Employees are eligible for an unreduced benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriff) or at age 50 with at least 30 years service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriff) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC), for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of salary.

Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they are retired 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 VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

## **B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by both the City and the School Board. In addition the City and 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. The City's and School Board's (non-professional employees) contribution rate for the year ended June 30, 2007, was 8.95% and 6.91%, respectively, of annual covered payroll. The School Board's required employer contributions to the teacher cost-sharing pool for all professional employees for the fiscal years ended 2007, 2006 and 2005 and were \$1,674,507, \$1,320,551 and \$1,189,333, respectively. The School Board contributed 100% of required contributions to the pool for fiscal year ended 2007 and each of the two preceding years.

## **C. Annual Pension Cost**

For fiscal years 2007, 2006, and 2005, the City and School Board's annual pension costs of \$724,473, \$538,299 and \$494,856, respectively, and \$79,715, \$93,198 and \$90,935, respectively, were equal to the City and School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The contribution rate set by the June 30, 2005, valuation was in effect from July 1, 2006 through June 30, 2008. The actuarial assumptions included (1) 7.50% investment rate of return, (2) projected salary increases ranging from 3.75% to 5.60% per year, and (3) 2.50% per year cost-of-living adjustments. Both (1) and (2) included an inflation component of 2.50%.

The actuarial value of the City and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a 5-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage on an open basis within a period of 27 years or less.

The Schedules of Funding Progress and Employer Contributions are presented as required supplementary information. The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuation on June 30, 2006. Actuarial assumptions used include an investment rate of return of 7.50%.



## 18. Notes to Schedule of Employer Contributions and Funding Progress

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations at the dates indicated. Additional information for both the City and the School Board as of June 30, 2006, actuarial valuation follows:

Valuation date	June 30, 2006
Actuarial cost method	Entry age Normal
Amortization method	Level percent, open
Payroll growth rate	2.50%
Remaining amortization period	20 years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	
1.) Non-LEO	3.75% to 5.60%
2.) LEO employees	3.50% to 4.75%
Cost-of-living adjustments	2.50%

\* Includes inflation at 2.50%

## 19. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of loss from certain acts of employees and certain elected officials is insured through commercial insurance as discussed in Note 15. Substantially all other risks are insured through participation in various public entity risk pools operating as common risk management and insurance programs for many local political subdivisions in the Commonwealth of Virginia. The City pays annual premiums to the pools for its general insurance coverage. The agreements of political subdivisions participating in the pools provide that the pools will be self-sustaining through member premiums but will reinsure through commercial companies for excess liability claims.

There have been no significant reductions in insurance coverage's from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three years.

## 20. Accounting Changes

The City adopted GASB Statement No. 44, *Economic Condition Reporting*. The Statistical Section during fiscal year ended June 30, 2006. There is no fiscal impact on the financial statements.

\* \* \* \* \*

## City of Poquoson, Virginia

General Fund  
Budgetary Comparison Schedule

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other financing sources</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,528,000	\$ 13,113,000	\$ 13,126,772	\$ 13,772
Public service corporation property taxes	96,000	96,000	82,225	(13,775)
Personal property	2,075,000	2,200,000	2,210,975	10,975
Penalties and interest	82,000	132,000	142,889	10,889
<b>Total general property taxes</b>	<b>14,781,000</b>	<b>15,541,000</b>	<b>15,562,861</b>	<b>21,861</b>
Other local taxes:				
Sales and use taxes	449,000	677,000	653,112	(23,888)
Meals taxes	435,000	435,000	469,997	34,997
Cigarette taxes	102,000	102,000	70,141	(31,859)
Consumers' utility taxes	366,000	366,000	354,783	(11,217)
Consumption tax	36,000	36,000	46,755	10,755
E-911 telephone taxes	73,000	73,000	74,410	1,410
Business license taxes	350,000	350,000	447,514	97,514
Franchise license taxes	55,000	55,000	67,505	12,505
Motor vehicle license taxes	-	-	12,067	12,067
Bank stock taxes	41,000	41,000	28,830	(12,170)
Recordation and wills taxes	160,000	160,000	274,799	114,799
Deeds of conveyance	30,000	30,000	41,276	11,276
<b>Total other local taxes</b>	<b>2,097,000</b>	<b>2,325,000</b>	<b>2,541,189</b>	<b>216,189</b>
Permits, privilege fees and regulatory licenses:				
Animal license	1,700	1,700	1,714	14
Permits and other licenses	133,300	133,300	160,504	27,204
<b>Total permits, privilege fees and regulatory licenses</b>	<b>135,000</b>	<b>135,000</b>	<b>162,218</b>	<b>27,218</b>
Fines and forfeitures	28,000	55,000	73,942	18,942
Revenue from use of money and property:				
Revenue from use of money	70,000	210,000	222,018	12,018
Revenue from use of property	84,700	84,700	86,435	1,735
<b>Total revenue from use of money and property</b>	<b>154,700</b>	<b>294,700</b>	<b>308,453</b>	<b>13,753</b>
Charges for services:				
Charges for sales of maps	200	200	110	(90)
Charges for business promotional maps	-	-	385	385
Charges for copying	4,000	4,000	3,451	(549)
Charges for passport processing	-	44,560	46,709	2,149
Charges for library and fees	17,000	17,000	22,094	5,094
<b>Total charges for services</b>	<b>21,200</b>	<b>65,760</b>	<b>72,749</b>	<b>6,989</b>
Miscellaneous revenue:				
Miscellaneous	3,100	3,100	18,666	15,566
Insurance recoveries	-	53,973	53,973	-
Donations-volunteer fire and rescue	-	271	271	-
Donations	-	12,412	12,412	-
<b>Total miscellaneous revenue</b>	<b>3,100</b>	<b>69,756</b>	<b>85,322</b>	<b>15,566</b>

## City of Poquoson, Virginia

General Fund  
Budgetary Comparison Schedule

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	6,780	6,780	6,780	-
DMV reimbursement	80,000	86,200	86,294	94
Wine taxes	7,100	7,100	7,107	7
Mobile home titling taxes	3,000	11,400	11,436	36
Rolling stock tax	80	80	98	18
Personal property tax relief	1,923,430	1,941,930	1,942,140	210
Communications sales and use tax	155,000	-	-	-
E-911 fee	73,000	-	-	-
<b>Total noncategorical aid</b>	<b>2,248,390</b>	<b>2,053,490</b>	<b>2,053,855</b>	<b>365</b>
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	85,900	105,849	102,010	(3,839)
Treasurer	99,600	99,600	105,263	5,663
Registrar/electoral board	47,850	47,850	47,979	129
<b>Total categorical aid</b>	<b>233,350</b>	<b>253,299</b>	<b>255,252</b>	<b>1,953</b>
Other categorical aid:				
State 599 police funds	303,400	303,400	291,856	(11,544)
Juvenile crime	14,380	14,380	-	(14,380)
Fire program fund	16,000	28,054	28,054	-
Department of Emergency Services	2,000	2,000	2,000	-
Street and highway maintenance	655,000	689,175	689,175	-
Litter control	6,600	6,600	5,307	(1,293)
Library	122,860	130,119	130,195	76
Emergency medical services	5,500	9,955	9,955	-
Wireless E911 PSAP	45,000	101,500	101,533	33
Comprehensive services	297,000	297,000	261,035	(35,965)
State drug seizure	-	3,865	3,864	(1)
State matching FEMA grant	-	18,656	18,655	(1)
Vopex grant	-	20,482	20,482	-
<b>Total other categorical aid</b>	<b>1,467,740</b>	<b>1,625,186</b>	<b>1,562,111</b>	<b>(63,075)</b>
<b>Total categorical aid</b>	<b>1,701,090</b>	<b>1,878,485</b>	<b>1,817,363</b>	<b>(61,122)</b>
<b>Total revenue from the Commonwealth</b>	<b>3,949,480</b>	<b>3,931,975</b>	<b>3,871,218</b>	<b>(60,757)</b>
Revenue from the federal government:				
Miscellaneous	83,100	219,448	217,999	(1,449)
<b>Total revenue from the federal government</b>	<b>83,100</b>	<b>219,448</b>	<b>217,999</b>	<b>(1,449)</b>
<b>Other financing sources</b>				
Transfer from component unit-School Board	336,390	299,497	327,417	27,920
Transfer from sewer fund	130,000	130,000	130,000	-
Transfer from unappropriated fund	-	525,311	-	(525,311)
<b>Total other financing uses</b>	<b>466,390</b>	<b>954,808</b>	<b>457,417</b>	<b>(497,391)</b>
<b>Total revenue and other financing sources</b>	<b>\$ 21,718,970</b>	<b>\$ 23,592,447</b>	<b>\$ 23,353,368</b>	<b>\$ (239,079)</b>

## City of Poquoson, Virginia

General Fund  
Budgetary Comparison Schedule

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Expenditures and other financing uses</b>				
General government administration:				
Legislative - City Council	\$ 69,430	\$ 83,430	\$ 83,344	\$ 86
General and financial administration:				
City Manager	449,730	469,730	468,968	762
Legal services	95,250	112,250	112,133	117
Independent auditor	26,500	26,500	25,900	600
Commissioner of the Revenue	274,540	294,489	269,468	25,021
Assessor/equalization board	210,040	223,040	215,177	7,863
Treasurer	261,210	272,210	272,027	183
Finance	310,590	310,664	295,172	15,492
Risk management	157,189	157,189	66,730	90,459
<b>Total general and financial administration</b>	<b>1,785,049</b>	<b>1,866,072</b>	<b>1,725,575</b>	<b>140,497</b>
Board of elections - electoral board and registrar	117,980	156,548	156,397	151
<b>Total general government administration</b>	<b>1,972,459</b>	<b>2,106,050</b>	<b>1,965,316</b>	<b>140,734</b>
<b>Public safety:</b>				
General district court	136,600	136,900	136,808	92
Clerk of the circuit court	(56,778)	(56,778)	(56,778)	-
Sheriff	107,056	107,056	107,056	-
Building maintenance	39,112	39,112	39,112	-
<b>Total judicial administration</b>	<b>225,990</b>	<b>226,290</b>	<b>226,198</b>	<b>92</b>
Law enforcement and traffic control - police department	2,121,250	2,498,198	2,306,587	191,611
Fire and rescue services - fire department	2,262,820	2,317,053	2,267,832	49,221
Correction and detention - regional operated institutions	171,400	171,400	154,436	16,964
Inspections - various	236,970	238,970	238,428	542
Other protection - animal control	67,780	67,780	67,778	2
<b>Total public safety</b>	<b>4,860,220</b>	<b>5,293,401</b>	<b>5,035,061</b>	<b>258,340</b>
<b>Public works:</b>				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	120,160	120,160	119,997	163
Highways, streets, bridges and sidewalks	1,006,660	1,095,400	1,037,279	58,121
Street lights	68,000	68,961	68,904	57
<b>Total maintenance of highways, streets, bridges and sidewalks</b>	<b>1,194,820</b>	<b>1,284,521</b>	<b>1,226,180</b>	<b>58,341</b>
Maintenance of general buildings and grounds	115,820	167,420	166,663	757
<b>Total public works</b>	<b>1,310,640</b>	<b>1,451,941</b>	<b>1,392,843</b>	<b>59,098</b>

## City of Poquoson, Virginia

General Fund  
Budgetary Comparison Schedule

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Expenditures and other financing uses (Continued)</b>				
Health and welfare:				
Health:				
Local health department	47,010	47,671	47,600	71
Mosquito control	195,820	195,820	174,063	21,757
<b>Total health</b>	<b>242,830</b>	<b>243,491</b>	<b>221,663</b>	<b>21,828</b>
Mental health and mental retardation - mental health	149,660	149,660	149,660	-
Welfare:				
Social services	105,800	111,200	110,653	547
Comprehensive services	412,000	412,000	369,384	42,616
<b>Total welfare</b>	<b>517,800</b>	<b>523,200</b>	<b>480,037</b>	<b>43,163</b>
<b>Total health and welfare</b>	<b>910,290</b>	<b>916,351</b>	<b>851,360</b>	<b>64,991</b>
Education - School Board	7,880,000	7,880,000	7,880,000	-
Parks, recreation and cultural - supervision of parks and recreation	336,440	337,540	337,520	20
Library - administration	640,900	708,368	700,279	8,089
<b>Total parks, recreation and cultural</b>	<b>977,340</b>	<b>1,045,908</b>	<b>1,037,799</b>	<b>8,109</b>
Community development:				
Planning	343,140	343,313	335,046	8,267
Economic development	5,330	5,330	5,325	5
Community development	142,931	173,781	167,359	6,422
Community development - IDA component unit	121,670	123,861	123,861	-
Community relations office	166,450	167,450	167,257	193
<b>Total community development</b>	<b>779,521</b>	<b>813,735</b>	<b>798,848</b>	<b>14,887</b>
Nondepartmental - miscellaneous	55,000	75,867	75,486	381
Department of motor vehicles	97,230	98,330	98,157	173
<b>Total nondepartmental</b>	<b>152,230</b>	<b>174,197</b>	<b>173,643</b>	<b>554</b>
<b>Other Financing Uses</b>				
Transfers to Debt Service Fund	2,427,570	2,427,570	2,427,570	-
Transfers to Capital Projects Fund	153,000	758,180	758,180	-
Transfers to Special Revenue Fund	-	98,631	98,631	-
Transfers to Sewer Fund	-	18,337	18,337	-
Transfers to Parks Recreation Fund	69,710	116,046	116,046	-
Transfers to Solid Waste Fund	-	265,622	265,622	-
Transfers to Fleet Fund	-	188	188	-
<b>Total other financing uses</b>	<b>2,650,280</b>	<b>3,684,574</b>	<b>3,684,574</b>	<b>-</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 21,718,970</b>	<b>\$ 23,592,447</b>	<b>\$ 23,045,642</b>	<b>\$ 546,805</b>
Excess of revenue and other financing sources over expenditures and other financing uses - budgetary basis	\$ -	\$ -	\$ 307,726	
Less - Encumbrances outstanding June 30, 2006, actually expended as of June 30, 2007			(125,336)	
Add - Encumbrances outstanding June 30, 2007			180,562	
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses, GAAP basis			362,952	
Fund balances - July 1, 2006			4,675,871	
Fund balances - June 30, 2007			\$ 5,038,823	

City of Poquoson, Virginia

Exhibit L

Retirement Plan

Schedules of Funding Progress and Employer Contributions  
Virginia Retirement System

Year Ended June 30, 2007

		Over (Under)			Over (Under)			Over (Under)	
		Funded Actuarial			Funded Actuarial			Funded Actuarial	
		Liability as			Liability as			Liability as	
		a Percent			a Percent			a Percent	
		of Covered			of Covered			of Covered	
		Payroll			Payroll			Payroll	
		Funded Ratio			Funded Ratio			Funded Ratio	
		Contributed			Contributed			Contributed	
		Percentage of ARC			Percentage of ARC			Percentage of ARC	
		Net Pension Obligation			Net Pension Obligation			Net Pension Obligation	
		Contribution (ARC)			Contribution (ARC)			Contribution (ARC)	
		Valuation Date			Valuation Date			Valuation Date	
Schedules of Funding Progress									
City Employees									
		6/30/06	\$ 14,310,654	\$ 16,362,512	\$ (2,051,853)	87.46%	\$ 5,003,885	(47.01)%	
		6/30/05	\$ 13,070,399	\$ 15,732,821	\$ (2,662,422)	83.08%	\$ 4,719,239	(56.42)%	
		6/30/04	\$ 12,302,897	\$ 12,826,677	\$ (523,780)	95.92%	\$ 4,351,660	(12.04)%	
		6/30/03	\$ 11,865,662	\$ 11,671,875	\$ 193,787	101.66%	\$ 4,053,858	4.78%	
		6/30/02	\$ 11,533,688	\$ 10,399,405	\$ 1,134,283	110.91%	\$ 3,736,191	30.36%	
School Board									
Non-professional Employees									
		6/30/06	\$ 1,151,079	\$ 1,641,274	\$ (490,195)	70.13%	\$ 675,990	(72.52)%	
		6/30/05	\$ 1,012,382	\$ 1,411,419	\$ (399,037)	71.73%	\$ 656,255	(60.81)%	
		6/30/04	\$ 913,845	\$ 1,186,159	\$ (272,314)	77.04%	\$ 625,284	(43.55)%	
		6/30/03	\$ 827,244	\$ 949,503	\$ (122,259)	87.12%	\$ 467,736	(26.14)%	
		6/30/02	\$ 769,537	\$ 908,263	\$ (138,726)	84.73%	\$ 515,674	(26.90)%	
Schedules of Employer Contributions									
City Employees									
		6/30/07	\$ 464,805			100.00%	\$		
		6/30/06	\$ 293,618			100.00%	\$		
		6/30/05	\$ 269,921			100.00%	\$		
		6/30/04	\$ 42,679			100.00%	\$		
		6/30/03	\$ 40,011			100.00%	\$		
School Board									
Non-professional Employees									
		6/30/07	\$ 44,504			100.00%	\$		
		6/30/06	\$ 52,528			100.00%	\$		
		6/30/05	\$ 50,132			100.00%	\$		
		6/30/04	\$ 46,677			100.00%	\$		
		6/30/03	\$ 38,481			100.00%	\$		



*Notes to Required Supplementary Information*

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**June 30, 2007**

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**1. Budgets and Budgetary Accounting**

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- 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.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearing must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted within 40 days of submission to City Council, but no later than May 31. If City Council does not adopt the proposed budget before May 31, the budget as submitted is automatically adopted.
- The City Manager is authorized to transfer budgeted amounts within departments. Expenditures over the original budget of any department must be approved by City Council.

Budgets for proprietary fund types are prepared on the accrual basis of accounting. The General, Capital Projects and Debt Service Funds' budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for the recognition of encumbrances as expenditures in the General and Capital Projects.

Therefore, the "actual" data included in statements comparing expenditures with budgets differs from the expenditures reported in accordance with generally accepted accounting principles by the amount of the reported encumbrances.

Beginning fund balances for budgetary basis presentation purposes are adjusted for the carryforward of prior year encumbrances. According to City Code, unexpended and unencumbered appropriations lapse at June 30, of each year. Appropriations that are encumbered at June 30, are carried forward into the following year's appropriations to allow for liquidation of the encumbrances.

Budgeting comparisons for the General Fund are shown as required supplementary information.

\* \* \* \* \*

*City of Poquoson, Virginia***Component Unit - School Board  
Combining Balance Sheet****June 30, 2007**

Assets	Governmental Activities		Total School Board
	General	Special Revenue	
Cash and cash equivalents	\$ 2,406,002	\$ 70,353	\$ 2,476,355
Due from other governmental units	436,166	4,867	441,033
Due from special revenue fund	42,906	-	42,906
Inventory	-	1,199	1,199
	<u>\$ 2,885,074</u>	<u>\$ 76,419</u>	<u>\$ 2,961,493</u>
<b>Liabilities</b>			
Vouchers and accounts payable	\$ 2,449,850	\$ -	\$ 2,449,850
Due to primary government	614	-	614
Due to general fund	-	42,906	42,906
<b>Total liabilities</b>	<u>2,450,464</u>	<u>42,906</u>	<u>2,493,370</u>
<b>Fund Balances</b>			
Reserved:			
Encumbrances	434,610	-	434,610
Inventory	-	1,199	1,199
Unreserved	-	32,314	32,314
<b>Total fund balances</b>	<u>434,610</u>	<u>33,513</u>	<u>468,123</u>
	<u>\$ 2,885,074</u>	<u>\$ 76,419</u>	<u>\$ 2,961,493</u>

**Reconciliation of Component Unit Combining Balance Sheet to  
Statement of Net Assets - Component Unit - School Board**

Total fund balances - component unit - School Board	\$ 468,123
Amount reported for component unit activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, net of accumulated depreciation	4,009,966
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.	(140,057)
Total net assets - component unit - School Board	<u>\$ 4,338,032</u>

**Component Unit - School Board****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Year Ended June 30, 2007**

	General Fund	Special Revenue	Total School Board
<b>Revenues</b>			
Charges for services	\$ -	\$ 578,142	\$ 578,142
Intergovernmental:			
Commonwealth of Virginia	12,178,218	14,874	12,193,092
Federal government	856,591	44,481	901,072
Miscellaneous	305,027	-	305,027
<b>Total revenues</b>	<b>13,339,836</b>	<b>637,497</b>	<b>13,977,333</b>
<b>Expenditures</b>			
Current:			
Education	20,927,633	715,948	21,643,581
Capital outlays	16,634	-	16,634
<b>Total expenditures</b>	<b>20,944,267</b>	<b>715,948</b>	<b>21,660,215</b>
<b>Deficiency of revenues over expenditures</b>	<b>(7,604,431)</b>	<b>(78,451)</b>	<b>(7,682,882)</b>
<b>Other financing sources (uses)</b>			
Transfer from primary government	7,880,023	-	7,880,023
Transfer to primary government	(614)	-	(614)
Transfers in - school general fund	-	131,402	131,402
Transfers out - school special revenue fund	(131,402)	-	(131,402)
Transfers in - school special revenue fund	42,906	-	42,906
Transfers out - school general fund	-	(42,906)	(42,906)
<b>Total other financing sources - net</b>	<b>7,790,913</b>	<b>88,496</b>	<b>7,879,409</b>
<b>Net change in fund balance</b>	<b>186,482</b>	<b>10,045</b>	<b>196,527</b>
<b>Fund balance - July 1, 2006</b>	<b>248,128</b>	<b>23,468</b>	<b>271,596</b>
<b>Fund balance - June 30, 2007</b>	<b>\$ 434,610</b>	<b>\$ 33,513</b>	<b>\$ 468,123</b>

**Reconciliation of the Revenues, Expenditures, and Changes in  
Fund Balances - School Board Funds to the Statement of Activities - Component Units**

**Net change in fund balances - total school board funds** **\$ 196,527**

Amount reported for governmental activities in the  
statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. Also, in the Statement of Activities, the loss of disposal of assets is reported.

Capital outlays	624,614
Depreciation expense	(243,012)
Loss on disposal of capital assets	(388,019)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

17,776

**Change in net assets of governmental activities**

**\$ 207,886**

## City of Poquoson, Virginia

**School Board**  
**Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2007

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Commonwealth of Virginia	\$ 12,291,798	\$ 12,301,005	\$ 12,178,218	\$ (122,787)
Federal government	736,814	979,681	856,591	(123,090)
Miscellaneous	309,122	432,042	305,027	(127,015)
<b>Total revenues</b>	<b>13,337,734</b>	<b>13,712,728</b>	<b>13,339,836</b>	<b>(372,892)</b>
<b>Expenditures</b>				
Current:				
General and financial administration	977,026	984,411	953,420	30,991
Instruction	13,607,444	13,891,688	13,411,233	480,455
Attendance and health services	239,232	239,232	236,135	3,097
Pupil transportation	714,398	737,389	758,624	(21,235)
Operation and maintenance of school plants	1,526,671	1,581,886	1,727,419	(145,533)
Fixed charges	4,090,113	4,094,399	4,039,626	54,773
Capital outlay	3,800	4,673	4,292	381
<b>Total expenditures</b>	<b>21,158,684</b>	<b>21,533,678</b>	<b>21,130,749</b>	<b>402,929</b>
<b>Other financing sources (uses)</b>				
Transfer from primary government	7,880,000	7,880,000	7,880,023	(23)
Transfer to primary government	-	-	(614)	614
Transfer out - special revenue fund	(59,050)	(59,050)	(131,402)	72,352
Transfer in -special revenue fund	-	-	42,906	(42,906)
<b>Total other financing sources-net</b>	<b>7,820,950</b>	<b>7,820,950</b>	<b>7,790,913</b>	<b>30,037</b>
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Less - encumbrances outstanding June 30, 2006, actually expended as of June 30, 2007</b>			(248,128)	
<b>Add - encumbrances outstanding June 30, 2007</b>			434,610	
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses - GAAP basis</b>			186,482	
<b>Fund balance - July 1, 2006</b>			248,128	
<b>Fund balance - June 30, 2007</b>			<u>\$ 434,610</u>	

*City of Poquoson, Virginia**School Board**Schedule of Changes in Capital Assets by Function and Activity***Year Ended June 30, 2007**

	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2007</b>
Education	\$ 21,441,442	\$ 624,614	\$ 1,321,672	\$ 20,744,384
Less - accumulated depreciation	(9,071,519)	(456,718)	933,653	(8,594,584)
	12,369,923	167,896	388,019	12,149,800
Allocation of assets to City - net	(8,353,540)	213,706	-	(8,139,834)
	\$ 4,016,383	\$ 381,602	\$ 388,019	\$ 4,009,966

*City of Poquoson, Virginia**Discretely Presented Component Unit - School Board  
Combining Schedule of Changes in Assets and Liabilities - Agency Funds*

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**June 30, 2007**

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	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2007</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 332,114	\$ 1,006,359	\$ 918,982	\$ 419,491
<b>Liabilities</b>				
Due to students	\$ 332,114	\$ 1,006,359	\$ 918,982	\$ 419,491



*City of Poquoson, Virginia**Statement of Changes in Assets and Liabilities - Agency Funds***June 30, 2007**

	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2007</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 33,986	\$ 1,838	\$ -	\$ 35,824
<b>Liabilities</b>				
Amounts held for others	\$ 33,986	\$ 1,838	\$ -	\$ 35,824

*City of Poquoson, Virginia****Statement of Cash Flows - Component Unit -  
Industrial Development Authority*****Year Ended June 30, 2007**

<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 36,207
Payments to suppliers for goods and services	(13,390)
<b>Net cash used in operating activities</b>	<u>22,817</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	<u>123,861</u>
<b>Cash flows from capital and related financing activities</b>	
Principal paid on capital debt	(43,333)
Proceeds from line of credit	45,500
Interest paid on capital debt	(131,131)
<b>Net cash used in capital and related financing activities</b>	<u>(128,964)</u>
<b>Net increase (decrease) in cash and investments</b>	17,714
<b>Cash and investments - beginning of year</b>	<u>16,103</u>
<b>Cash and investments - end of year</b>	<u>\$ 33,817</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating loss	\$ (1,757)
Adjustments:	
Depreciation and amortization	24,981
Changes in assets and liabilities:	
Receivables - net	(554)
Vouchers and accounts payable	147
<b>Net cash used in operating activities</b>	<u>\$ 22,817</u>
<b>Supplemental schedule</b>	
Noncash capital and investing activity:	
Acquisition of capital assets with capital contributions	<u>\$ 209,300</u>

## *City of Poquoson, Virginia*

### *Statistical Section Overview*

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**June 30, 2007**

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This part of the City of Poquoson's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

#### **Contents**

##### **Financial Trends**

**Tables 1 - 8**

These tables contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

##### **Revenue Capacity**

**Tables 9 - 12a**

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

##### **Debt Capacity**

**Tables 13 - 18**

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

##### **Demographic and Economic Information**

**Tables 19 - 20**

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

##### **Operation Information**

**Tables 21 - 26**

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; tables presenting information relating to GASB Statement 34 include information beginning in that year.

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*City of Poquoson, Virginia*  
*Government-Wide Revenues*

Last Five Fiscal Years									
Program Revenues					General Revenues				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Reimbursements from Other Agencies	Unrestricted Investment Earnings	Miscellaneous	Total	
2007	\$ 2,751,925	\$ 2,094,100	\$ 1,260,858	\$ 18,177,897	\$ 1,970,935	\$ 1,123,310	\$ 294,076	\$ 27,673,101	
2006	\$ 2,769,304	\$ 2,122,034	\$ 342,400	\$ 15,845,620	\$ 2,035,707	\$ 439,031	\$ 255,105	\$ 23,809,201	
2005	\$ 2,767,673	\$ 2,705,293	\$ 1,187,904	\$ 15,125,168	\$ 1,830,047	\$ 143,689	\$ 255,064	\$ 24,014,838	
2004	\$ 2,211,880	\$ 1,718,011	\$ 193,425	\$ 13,660,262	\$ 2,012,657	\$ 39,559	\$ 423,310	\$ 20,259,104	
2003	\$ 2,033,912	\$ 1,326,011	\$ 694,324	\$ 13,239,298	\$ 1,669,092	\$ 137,316	\$ 386,569	\$ 19,486,522	

**Note:** FY 2004 also had \$2,693,058 extraordinary revenues related to Hurricane Isabel.

## City of Poquoson, Virginia

## Government-Wide Expenses by Function

Last Five Fiscal Years															
Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Interest on		Non-Departmental	Sewer	Parks and Recreation	Solid Waste	Total Expenses
									Long-term Debt						
2007	\$4,532,796	\$226,198	\$5,288,161	\$1,511,607	\$ 862,689	\$8,126,211	\$ 18,006	\$ 1,081,786	\$ 1,246,037	\$	\$ 1,596,599	\$473,754	\$595,209	\$25,559,053	
2006	\$2,379,161	\$238,689	\$4,657,932	\$1,327,111	\$ 821,356	\$7,426,666	\$1,030,174	\$ 817,214	\$ 462,508	\$	\$ 1,554,446	\$587,701	\$528,325	\$21,831,283	
2005	\$1,716,083	\$180,184	\$4,750,969	\$1,694,612	\$ 840,310	\$7,087,769	\$1,343,537	\$ 563,788	\$ 500,461	\$	\$ 1,537,870	\$545,799	\$475,269	\$21,367,202	
2004	\$1,449,410	\$277,307	\$3,823,700	\$1,659,214	\$ 650,092	\$6,965,522	\$ 839,537	\$ 636,477	\$ 525,850	\$	\$ 1,609,179	\$524,504	\$446,172	\$19,527,368	
2003	\$1,401,639	\$247,161	\$3,721,021	\$1,472,320	\$ 605,334	\$6,459,434	\$ 775,359	\$ 514,618	\$ 561,580	\$	\$ 1,657,238	\$543,327	\$430,223	\$18,468,080	

Note: FY 2004 also had \$2,797,515 extraordinary expenses related to Hurricane Isabel.

Table 3

## City of Poquoson, Virginia

## General Governmental Revenues By Source

Last Ten Fiscal Years												
Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Revenues		Charges for Services	Miscellaneous	Recovered Costs	From Commonwealth	From Federal Government	Total	
				From Use of Money and Property	Fines and Forfeitures							
2007	\$ 15,562,860	\$2,541,189	\$162,218	\$ 73,942	\$ 1,171,832	\$650,891	\$ 399,120	\$ -	\$ 16,463,697	\$ 1,119,071	\$38,144,820	
2006	\$ 13,012,958	\$2,792,592	\$173,401	\$ 37,283	\$ 503,615	\$593,002	\$ 353,980	\$ -	\$ 15,254,700	\$ 1,240,879	\$33,962,410	
2005	\$ 12,488,453	\$2,635,722	\$172,455	\$ 30,583	\$ 202,548	\$485,327	\$ 350,167	\$ -	\$ 15,982,140	\$ 1,115,540	\$33,462,935	
2004	\$ 11,226,560	\$2,524,964	\$173,525	\$ 24,605	\$ 58,948	\$317,338	\$1,192,908	\$ -	\$ -	\$ -	\$15,518,848	
2003	\$ 10,859,951	\$2,442,485	\$116,843	\$ 27,970	\$ 132,753	\$331,500	\$ 220,601	\$ -	\$ -	\$ -	\$14,132,103	
2002	\$ 9,716,038	\$2,402,784	\$144,907	\$ 22,596	\$ 121,081	\$337,227	\$ 188,861	\$ -	\$ -	\$ -	\$12,933,494	
2001	\$ 9,921,498	\$1,984,354	\$108,412	\$ 25,448	\$ 226,684	\$355,996	\$ 162,936	\$ -	\$ -	\$ -	\$12,785,328	
2000	\$ 9,247,685	\$1,890,427	\$100,194	\$ 35,957	\$ 208,774	\$359,386	\$ 151,675	\$ -	\$ -	\$ -	\$11,994,098	
1999	\$ 9,364,276	\$1,825,575	\$107,561	\$ 36,062	\$ 307,428	\$239,137	\$ 168,112	\$ -	\$ -	\$ -	\$12,048,151	
1998	\$ 8,995,589	\$1,671,810	\$ 94,133	\$ 23,081	\$ 408,521	\$285,782	\$ 137,800	\$ -	\$ -	\$ -	\$11,616,716	

**Note:** Amounts include all general, special revenue, debt service and capital projects funds of the primary government and component unit (School Board). (Beginning in 1994, the special revenue funds, while included here, are also reported in the Component Unit section of the City's basic financial statements.)



Table 4

## City of Poquoson, Virginia

## General Governmental Expenditures by Function

Last Ten Fiscal Years		Community Development and Non-Departmental								Debt Service		Total
Fiscal Year	General Governmental Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development and Non-Departmental	Capital Projects	Debt Service Principal			
2007	\$ 1,938,236	\$ 5,235,778	\$ 1,428,384	\$ 843,523	\$ 21,660,215	\$ 1,034,306	\$ 1,718,142	\$ 8,460,299	\$ 1,092,106			\$ 43,410,989
2006	\$ 1,754,223	\$ 4,857,162	\$ 1,232,132	\$ 802,295	\$ 20,417,351	\$ 935,543	\$ 781,033	\$ 2,447,596	\$ 1,058,843			\$ 34,286,178
2005	\$ 1,543,930	\$ 4,440,330	\$ 1,284,108	\$ 819,499	\$ 19,907,983	\$ 830,797	\$ 634,664	\$ 2,338,525	\$ 1,066,793			\$ 32,866,629
2004	\$ 1,333,308	\$ 4,007,945	\$ 1,128,861	\$ 657,485	\$ 17,924,386	\$ 763,681	\$ 632,851	\$ 987,539	\$ 1,508,041			\$ 28,944,097
2003	\$ 1,273,661	\$ 3,774,685	\$ 1,013,082	\$ 601,282	\$ 16,305,793	\$ 763,866	\$ 530,628	\$ 1,021,949	\$ 1,531,171			\$ 26,816,117
2002	\$ 1,257,684	\$ 3,284,029	\$ 1,025,194	\$ 447,294	\$ 15,559,173	\$ 720,466	\$ 492,048	\$ 1,282,450	\$ 1,597,319			\$ 25,665,657
2001	\$ 1,172,028	\$ 3,092,622	\$ 889,179	\$ 464,380	\$ 15,100,371	\$ 730,150	\$ 293,769	\$ 1,567,339	\$ 2,160,329			\$ 25,470,167
2000	\$ 1,149,086	\$ 2,943,894	\$ 983,878	\$ 448,376	\$ 14,149,699	\$ 663,220	\$ 307,481	\$ 1,471,535	\$ 1,479,556			\$ 23,596,725
1999	\$ 1,059,566	\$ 2,708,722	\$ 868,873	\$ 440,107	\$ 13,244,386	\$ 637,317	\$ 290,022	\$ 3,898,984	\$ 1,428,956			\$ 24,576,933
1998	\$ 993,642	\$ 2,426,352	\$ 824,541	\$ 508,481	\$ 12,347,618	\$ 578,141	\$ 221,550	\$ 4,832,525	\$ 1,031,993			\$ 23,764,843

**Note:** Amounts include all general, special revenue, debt service and capital projects funds of the primary government and component unit (School Board). (Beginning in 1994, the special revenue funds, while included here, are also reported in the Component Unit section of the City's general-purpose financial statements.) Note that the debt service does not include refunded principal payments.

Table 5

*City of Poquoson, Virginia**Net Assets by Component*

<b>June 30,</b>	<b>2007</b>	<b>2006</b>
Governmental activities		
Invested in capital assets - net of related debt	\$ 17,183,471	\$ 10,104,292
Unrestricted	3,057,158	5,044,143
<b>Total governmental activities</b>	<b>\$ 20,240,629</b>	<b>\$ 15,148,435</b>
Business-type activities		
Invested in capital assets - net of related debt	\$ 5,516,767	\$ 5,502,832
Unrestricted	1,808,221	1,690,392
<b>Total business-type activities</b>	<b>\$ 7,324,988</b>	<b>\$ 7,193,224</b>
Primary government		
Invested in capital assets - net of related debt	\$ 22,700,238	\$ 15,607,124
Unrestricted	4,865,379	6,734,535
<b>Total primary government</b>	<b>\$ 27,565,617</b>	<b>\$ 22,341,659</b>

Table 6

*City of Poquoson, Virginia**Change in Net Assets*

June 30,	2007	2006 (restated)
<b>Expenses</b>		
Governmental activities:		
General government	\$ 4,532,796	\$ 2,379,161
Judicial	226,198	238,689
Public safety	5,288,161	4,657,932
Public works	1,511,607	1,327,111
Health and welfare	862,689	821,356
Education	8,126,211	7,426,666
Parks and recreation	18,006	1,030,174
Community development	1,081,786	817,214
Interest on long-term debt	1,246,037	462,508
<b>Total governmental activities</b>	<b>22,893,491</b>	<b>19,160,811</b>
Business-type activities:		
Sewer	1,596,599	1,554,446
Parks and recreation	473,754	587,701
Solid waste	595,209	528,325
<b>Total business-type activities</b>	<b>2,665,562</b>	<b>2,670,472</b>
<b>Total expenses</b>	<b>\$ 25,559,053</b>	<b>\$ 21,831,283</b>
<b>Program revenue</b>		
Governmental activities:		
Charges for services:		
General government	\$ 100,055	\$ 104,747
Judicial	72,482	36,268
Public safety	113,360	127,129
Parks and recreation	72,253	24,367
Community development	51,543	53,397
Operating grants and contributions	2,094,100	2,122,034
Capital grants and contributions	1,260,858	342,400
<b>Total governmental activities</b>	<b>3,764,651</b>	<b>2,810,342</b>
Business-type activities:		
Charges for services:		
Sewer	1,803,913	1,773,403
Solid waste	329,172	334,911
Parks and recreation	209,147	315,082
<b>Total business-type activities</b>	<b>2,342,232</b>	<b>2,423,396</b>
<b>Total program revenue</b>	<b>\$ 6,106,883</b>	<b>\$ 5,233,738</b>
<b>Governmental activities net expense</b>	<b>\$ (19,128,840)</b>	<b>\$ (16,350,469)</b>
<b>Business-type activities net expense</b>	<b>(323,330)</b>	<b>(247,076)</b>
<b>Total primary government net expense</b>	<b>\$ (19,452,170)</b>	<b>\$ (16,597,545)</b>

*City of Poquoson, Virginia**Change in Net Assets*

June 30,	2007	2006 (restated)
<b>General revenues and other changes in net assets</b>		
Governmental activities:		
Taxes:		
Property taxes	\$ 15,636,708	\$ 13,053,028
Other taxes	2,541,189	2,792,592
Reimbursements from other agencies	1,970,935	2,035,707
Investment earnings	1,085,397	415,638
Miscellaneous	146,900	75,005
Transfers	(270,005)	(217,683)
<b>Total governmental activities</b>	<b>21,111,124</b>	<b>18,154,287</b>
Business-type activities:		
Investment earnings	37,913	23,393
Miscellaneous	147,176	180,100
Transfers	270,005	217,683
<b>Total business-type activities</b>	<b>455,094</b>	<b>421,176</b>
<b>Total general revenues and other changes in net assets</b>	<b>\$ 21,566,218</b>	<b>\$ 18,575,463</b>
<b>Change in Net Assets</b>		
Governmental activities	\$ 1,982,284	\$ 1,803,818
Business-type activities	131,764	174,100
<b>Total primary government</b>	<b>\$ 2,114,048</b>	<b>\$ 1,977,918</b>

*City of Poquoson, Virginia**Fund Balances - Governmental Funds*

<b>Last Five Fiscal Years</b>					
	2003	2004	2005	2006	2007
General fund:					
Reserved for:					
Encumbrances	\$ 114,656	\$ 125,653	\$ 71,459	\$ 125,336	\$ 180,562
Unreserved for:					
Unreserved and undesignated	4,239,425	4,015,477	4,764,304	4,550,535	4,858,261
<b>Total general fund</b>	<b>\$4,354,081</b>	<b>\$4,141,130</b>	<b>\$4,835,763</b>	<b>\$ 4,675,871</b>	<b>\$ 5,038,823</b>
All other governmental funds:					
Reserved for:					
Debt service	\$ -	\$ -	\$ -	\$ 80,000	\$ 385,137
Purchase of fire truck	-	-	339,000	-	-
Construction - bond principal	-	-	-	13,433,589	16,196,290
Construction - bond earnings	-	-	-	318,938	82,801
Unreserved for:					
Designated	767,291	1,024,626	747,677	1,273,130	-
Unreserved and undesignated	-	-	52,055	(73,569)	337,241
<b>Total all other governmental funds</b>	<b>\$ 767,291</b>	<b>\$1,024,626</b>	<b>\$1,138,732</b>	<b>\$15,032,088</b>	<b>\$17,001,469</b>

Table 8

## City of Poquoson, Virginia

## Changes in Fund Balances - Governmental Funds

## Last Five Fiscal Years

	2003	2004	2005	2006	2007
<b>Revenues</b>					
General property taxes	\$10,859,951	\$11,226,560	\$12,488,453	\$13,012,958	\$15,562,860
Other local taxes	2,442,485	2,524,964	2,635,722	2,792,592	2,541,189
Permits, privilege fees and regulatory licenses	116,843	173,525	172,455	173,401	162,218
Fines and forfeitures	27,970	24,605	30,583	37,283	73,942
Revenue from use of money and property	132,706	58,937	202,548	503,615	1,171,832
Charges for services	23,132	31,740	30,318	29,694	72,749
Intergovernmental	3,670,215	3,694,854	5,324,277	4,898,316	5,389,676
Miscellaneous	88,481	369,054	93,385	37,381	94,093
<b>Total revenues</b>	<b>17,361,783</b>	<b>18,104,239</b>	<b>20,977,741</b>	<b>21,485,240</b>	<b>25,068,559</b>
<b>Expenditures</b>					
Current:					
General government and administration	1,273,661	1,330,271	1,543,930	1,754,223	1,938,236
Public safety and judicial	3,774,685	4,007,945	4,440,330	4,857,162	5,235,778
Public works	1,013,082	1,125,448	1,284,108	1,232,132	1,428,384
Health and welfare	601,282	657,485	819,499	802,295	843,523
Parks, recreation, and cultural	763,866	763,681	830,797	935,543	1,034,306
Community development	452,374	535,757	507,520	640,718	1,544,499
Nondepartmental	78,254	115,105	127,144	140,315	173,643
Education	6,901,085	6,728,536	7,311,063	7,555,104	7,880,000
Industrial Development Authority	50,000	95,000	59,900	147,530	123,861
Capital outlays	993,632	986,129	2,338,525	2,447,596	8,460,299
Debt service:					
Principal retirement	4,320,579	983,418	1,066,793	1,058,843	1,092,106
Bond issuance costs	17,300	2,000	500	-	-
Interest and fiscal charges	595,909	522,623	497,733	462,632	1,038,815
<b>Total expenditures</b>	<b>20,835,709</b>	<b>17,853,398</b>	<b>20,827,842</b>	<b>22,034,093</b>	<b>30,793,450</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(3,473,926)</b>	<b>250,841</b>	<b>149,899</b>	<b>(548,853)</b>	<b>(5,724,891)</b>
<b>Other financing sources (uses)</b>					
Transfers from:					
School Board	441,651	-	437,000	-	327,417
Sewer	149,000	151,800	153,000	150,000	130,000
General	2,092,388	1,964,421	2,009,776	2,766,679	3,284,381
Issuance of debt	3,405,000	-	349,640	14,500,000	8,000,000
Transfers to:					
Debt service	(1,528,788)	(1,508,041)	(1,565,026)	(1,601,475)	(2,427,570)
Grant	-	-	-	-	(98,631)
Sewer	-	-	-	-	(18,337)
Fleet	-	-	-	-	(188)
Capital projects	(563,600)	(456,380)	(444,750)	(1,165,204)	(758,180)
Parks and recreation	(25,000)	(56,000)	(83,600)	(184,350)	(116,046)
Solid waste	(198,000)	(198,000)	(197,200)	(183,333)	(265,622)
<b>Total other financing sources (uses)</b>	<b>3,772,651</b>	<b>(102,200)</b>	<b>658,840</b>	<b>14,282,317</b>	<b>8,057,224</b>
<b>Net change in fund balances</b>	<b>\$ 298,725</b>	<b>\$ 148,641</b>	<b>\$ 808,739</b>	<b>\$13,733,464</b>	<b>\$ 2,332,333</b>
Debt service as a percentage of noncapital expenditures	22.12%	8.05%	7.52%	6.87%	8.29%

(1) Excludes extraordinary revenues and expenses resulting from Hurricane Isabel.



## City of Poquoson, Virginia

*Assessed Value and Estimated Actual Value of Taxable Real Property*

Last Ten Fiscal Years									
Fiscal Year	Residential Property	Commercial/Industrial Property	Agricultural Property	Total Taxable		Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
				Assessed Value					
2007	\$1,543,797,900	\$ 80,310,317	\$ 3,227,800	\$1,627,336,017	\$ 80,948,613	\$0.81	\$1,627,336,017	100%	
2006	\$ 955,801,900	\$ 67,263,778	\$ 2,431,400	\$1,025,497,078	\$ 71,268,800	\$1.06	\$1,025,497,078	100%	
2005	\$ 933,021,200	\$ 67,064,357	\$ 2,425,800	\$1,002,511,357	\$ 71,118,562	\$1.06	\$1,002,511,357	100%	
2004	\$ 772,269,200	\$ 57,734,844	\$ 1,998,600	\$ 832,002,644	\$ 63,679,146	\$1.12	\$ 832,002,644	100%	
2003	\$ 755,651,100	\$ 56,987,431	\$ 2,008,300	\$ 814,646,831	\$ 59,679,816	\$1.12	\$ 814,646,831	100%	
2002	\$ 677,825,700	\$ 52,743,008	\$ 1,836,400	\$ 732,405,108	\$ 54,070,535	\$1.12	\$ 732,405,108	100%	
2001	\$ 677,062,200	\$ 42,230,098	\$ 2,253,800	\$ 721,546,098	\$ 52,326,710	\$1.12	\$ 721,546,098	100%	
2000	\$ 611,512,900	\$ 34,398,921	\$ 1,179,500	\$ 647,091,321	\$ 49,084,235	\$1.12	\$ 647,091,321	100%	
1999	\$ 599,391,000	\$ 33,447,646	\$ 1,308,800	\$ 634,147,446	\$ 47,968,293	\$1.12	\$ 634,147,446	100%	
1998	\$ 555,396,700	\$ 29,742,208	\$ 1,190,600	\$ 586,329,508	\$ 35,648,893	\$1.12	\$ 586,329,508	100%	

Source: Commissioner of the Revenue

*City of Poquoson, Virginia**Assessed Value of Taxable Property*

<b>Last Ten Fiscal Years</b>				
<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Utility Real Property</b>	<b>Total</b>
2007	\$ 1,627,336,017	\$ 137,847,803	\$ 10,151,179	\$ 1,775,334,999
2006	\$ 1,025,497,078	\$ 137,528,873	\$ 11,806,063	\$ 1,174,832,014
2005	\$ 1,002,511,357	\$ 131,687,115	\$ 12,490,949	\$ 1,146,689,421
2004	\$ 832,002,644	\$ 124,217,525	\$ 15,281,091	\$ 971,501,260
2003	\$ 814,646,831	\$ 90,623,115	\$ 12,957,305	\$ 918,227,251
2002	\$ 732,405,108	\$ 81,396,248	\$ 16,616,189	\$ 830,417,545
2001	\$ 721,546,098	\$ 78,188,175	\$ 15,164,288	\$ 814,898,561
2000	\$ 647,091,321	\$ 71,338,462	\$ 14,038,764	\$ 732,468,547
1999	\$ 634,147,446	\$ 67,301,706	\$ 12,506,485	\$ 713,955,637
1998	\$ 586,329,508	\$ 60,695,776	\$ 11,986,052	\$ 659,011,336

Source: Commissioner of the Revenue

*City of Poquoson, Virginia**Property Tax Rates (Per \$100 of Assessed Value)***Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>		<u>Mobile Homes</u>		<u>Recreational Vehicles</u>	<u>Boats</u>
2007	\$0.81	\$3.85/\$4.15	(1)	\$1.06/\$0.81	(2)	\$1.50	\$1.50
2006	\$1.06	\$3.85		\$1.06		\$1.50	\$1.50
2005	\$1.06	\$3.85		\$1.06		\$1.50	\$1.50
2004	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50
2003	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50
2002	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50
2001	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50
2000	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50
1999	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50
1998	\$1.12	\$3.85		\$1.12		\$1.50	\$1.50

(1) The property tax rate for personal property increased January 1, 2007.

(2) The property tax rate for mobile homes decreased January 1, 2007.

Source: Commissioner of the Revenue

Table 12

*City of Poquoson, Virginia**Property Tax Levies and Collections*

Last Ten Fiscal Years		Percent of			Delinquent		Percent of		Outstanding		Percent of	
Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1) (2)	Total Tax Collections	Total Tax Collections to Tax Levy	Total Tax Collections to Tax Levy	Delinquent Taxes (1)	Delinquent Taxes to Tax Levy	Delinquent Taxes to Tax Levy	Delinquent Taxes to Tax Levy	Delinquent Taxes to Tax Levy
2007	\$ 13,261,764	\$ 12,941,290	97.58%	\$ 216,409	\$ 13,157,699	99.22%	99.22%	\$ 230,904	1.74%	1.74%	1.74%	1.74%
2006	\$ 10,945,183	\$ 10,643,194	97.24%	\$ 174,509	\$ 10,817,703	98.84%	98.84%	\$ 359,517	3.28%	3.28%	3.28%	3.28%
2005	\$ 10,695,154	\$ 10,528,025	98.44%	\$ 169,791	\$ 10,697,816	100.02%	100.02%	\$ 339,875	3.18%	3.18%	3.18%	3.18%
2004	\$ 9,363,522	\$ 9,193,103	98.18%	\$ 219,044	\$ 9,412,147	100.52%	100.52%	\$ 237,868	2.54%	2.54%	2.54%	2.54%
2003	\$ 9,199,326	\$ 9,064,109	98.53%	\$ 493,614	\$ 9,557,723	103.90%	103.90%	\$ 286,493	3.11%	3.11%	3.11%	3.11%
2002	\$ 9,513,341	\$ 9,279,055	97.54%	\$ 240,308	\$ 9,519,363	100.06%	100.06%	\$ 358,397	3.77%	3.77%	3.77%	3.77%
2001	\$ 9,554,596	\$ 9,232,273	96.63%	\$ 223,297	\$ 9,455,570	98.96%	98.96%	\$ 282,512	2.96%	2.96%	2.96%	2.96%
2000	\$ 9,287,339	\$ 8,985,622	96.75%	\$ 140,085	\$ 9,125,707	98.26%	98.26%	\$ 161,632	1.74%	1.74%	1.74%	1.74%
1999	\$ 9,447,775	\$ 8,979,383	95.04%	\$ 285,420	\$ 9,264,803	98.06%	98.06%	\$ 182,972	1.94%	1.94%	1.94%	1.94%
1998	\$ 8,913,085	\$ 8,511,426	95.49%	\$ 329,808	\$ 8,841,234	99.19%	99.19%	\$ 71,851	0.81%	0.81%	0.81%	0.81%

(1) Exclusive of penalties and interest

(2) Does not include land redemption

Source: City Treasurer

Table 12a

*City of Poquoson, Virginia**Property Tax Levies and Collections*

<b>Last Two Fiscal Years (1)</b>		Collected within the fiscal		Collections in subsequent years	Total collected to date	
Fiscal Year	Taxes levied for fiscal year	Amount	Percent of Levy		Amount	Percentage of levy
2007	\$ 13,261,764	\$ 12,941,290	97.58%	\$ -	\$ 12,941,290	97.58%
2006	\$ 10,945,183	\$ 10,643,194	97.24%	\$ 150,250	\$ 10,793,444	98.61%

(1) Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting*:

*The Statistical Section*, was adopted by the City for the year ended June 30, 2006.

Hence, the information for fiscal years prior to 2006 is not available.

Source: City Treasurer

## City of Poquoson, Virginia

## Principal Taxpayers - 2007 and Nine Years Ago

Years Ended June 30,		2007			1998		
Taxpayer	Type of Business	Assessed Valuation Real Estate	Ranking	Percentage of Total Real Estate Assessment	Assessed Valuation Real Estate	Ranking	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 8,096,800	1	0.50%	\$ 6,419,200	1	1.09%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,907,600	2	0.49%	-	-	%
Poquoson Marina Associates	Marina / Mobile Home Park	4,732,500	3	0.29%	-	-	%
Suburban Land Company	Shopping Center	4,354,100	4	0.27%	3,140,000	2	0.54%
SGC Wythe Creek L.L.C.	Shopping Center	3,883,800	5	0.24%	-	-	- %
GPH Poquoson L.L.C.	Nursing Home	3,028,200	6	0.19%	-	-	%
Universal of Poquoson	Mobile Home Park	3,020,400	7	0.19%	1,840,300	6	0.31%
Islander Associates	Apartment Rentals	3,012,200	8	0.19%	2,326,900	4	0.40%
Hunt Properties of Poquoson Inc.	Storage Facilities	2,760,300	9	0.17%	-	-	- %
Wachovia Bank	Financial Institution	2,291,400	10	0.14%	-	-	- %
Carl B. Johnson	Shopping Center	-	-	- %	2,699,900	3	0.46%
Vantage Healthcare Corporation	Nursing Home	-	-	- %	1,943,400	5	0.33%
Carematrix of Dominion Village	Nursing Home	-	-	- %	1,680,500	7	0.29%
Central Fidelity Bank	Financial Institution	-	-	- %	1,402,600	8	0.24%
Langley Federal Credit Union	Financial Institution	-	-	- %	1,248,100	9	0.21%
David A. Carpenter	Mobile Home Park/Marina	-	-	- %	1,209,800	10	0.21%
		<u>\$ 43,087,300</u>		<u>2.67%</u>	<u>\$23,910,700</u>		<u>4.08%</u>

Source: Commissioner of the Revenue



*City of Poquoson, Virginia**Computation of Legal Debt Margin***June 30, 2007****Total assessed value of taxed real property**

General	\$ 1,025,497,078
Public service corporations	11,806,063

<b>Total</b>	<b>\$ 1,037,303,141</b>
--------------	-------------------------

**Debt limit (10% of total assessed value)**

<b>\$ 103,730,314</b>
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**Debt applicable to debt limit**

General obligation bonds, other than those authorized for a specific revenue producing project	28,341,971
Capital leases	525,899
Sewer general obligation bonds	11,280,327
State literary fund loans	3,567,820
	<u>43,716,017</u>

**Margin for additional borrowing**

<b>\$ 60,014,297</b>
----------------------

## City of Poquoson, Virginia

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years	Business-Type Activities													Per Capita
	Governmental Activities						Business-Type Activities							
	Fiscal Year	General Obligation Bonds	Term Loans Payable	Sales Tax Increment Bonds	Lease Revenue Bonds	Special Assessment Bonds	Sewer Bonds	Term Loan Payable	Certificates of Participation	Capital Leases	Total Primary Government	Median Household Income		
2007	\$ 28,341,971	\$ 4,093,719	\$ -	\$ -	\$ -	\$ 11,280,327	\$ -	\$ -	\$ -	\$ -	\$ 43,716,017	N/A	N/A	
2006	\$ 20,966,951	\$ 4,560,844	\$ -	\$ -	\$ -	\$ 12,049,089	\$ -	\$ -	\$ -	\$ -	\$ 37,576,884	N/A	N/A	
2005	\$ 7,060,912	\$ 5,025,726	\$ -	\$ -	\$ -	\$ 12,791,016	\$ -	\$ -	\$ -	\$ -	\$ 24,877,654	N/A	N/A	
2004	\$ 7,645,953	\$ 4,811,338	\$ -	\$ -	\$ -	\$ 13,506,624	\$ -	\$ -	\$ -	\$ -	\$ 25,963,915	N/A	N/A	
2003	\$ 8,189,853	\$ 5,250,856	\$ -	\$ -	\$ -	\$ 14,131,490	\$ -	\$ -	\$ -	\$ -	\$ 27,572,199	\$ 67,664	N/A	
2002	\$ 8,455,597	\$ 5,690,374	\$ -	\$ -	\$ -	\$ 14,779,335	\$ -	\$ -	\$ -	\$ -	\$ 28,925,306	\$ 66,985	N/A	
2001	\$ 8,385,678	\$ 6,150,392	\$ -	\$ -	\$ -	\$ 13,108,140	\$ -	\$ -	\$ -	\$ -	\$ 27,644,210	\$ 64,011	N/A	
2000	\$ 7,192,080	\$ 6,626,810	\$ -	\$ -	\$ -	\$ 8,699,313	\$ -	\$ -	\$ -	\$ -	\$ 22,518,203	\$ 63,329	N/A	
1999	\$ 7,527,821	\$ 7,103,228	\$ -	\$ -	\$ -	\$ 4,539,591	\$ -	\$ -	\$ -	\$ -	\$ 19,170,640	\$ 60,568	N/A	
1998	\$ 11,270,000	\$ 3,530,832	\$ -	\$ -	\$ -	\$ 4,460,000	\$ -	\$ -	\$ -	\$ -	\$ 19,260,832	\$ 59,943	N/A	

N/A = information not available

Source: Director of Finance

*City of Poquoson, Virginia*

*Ratio of Net General Bonded Debt to Assessed  
Value and Net Bonded Debt Per Capita*

Last Ten Fiscal Years		Ratio of Net Bonded Debt to Assessed Value			Net Bonded Debt per Capita	
Fiscal Year	Population	Assessed Value	Net Bonded Debt (3)			
2007	11,566 (1)	\$1,775,334,999	\$ 32,435,690	1.8%	\$	2,804
2006	11,566 (1)	\$1,174,832,014	\$ 11,027,795	0.9%	\$	953
2005	11,566 (1)	\$1,146,689,421	\$ 12,086,638	1.05%	\$	1,045
2004	11,566 (1)	\$ 971,501,260	\$ 12,457,291	1.28%	\$	1,077
2003	11,566 (1)	\$ 918,227,251	\$ 13,440,709	1.46%	\$	1,162
2002	11,566 (1)	\$ 830,417,545	\$ 14,145,971	1.70%	\$	1,223
2001	11,566 (1)	\$ 814,898,561	\$ 14,536,070	1.78%	\$	1,257
2000	11,566 (1)	\$ 732,468,547	\$ 13,818,890	1.89%	\$	1,195
1999	11,005 (2)	\$ 713,955,637	\$ 14,631,049	2.05%	\$	1,329
1998	11,005 (2)	\$ 659,011,336	\$ 14,758,832	2.24%	\$	1,341
1997	11,005 (2)	\$ 641,162,572	\$ 15,244,732	2.38%	\$	1,385

(1) Source: 2000 United States Census

(2) Source: 1990 United States Census

(3) Does not include Enterprise and Internal Service general obligation debt, which are retired through revenues of the related operations.

Source: Director of Finance

## City of Poquoson, Virginia

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

Fiscal Year	Last Ten Fiscal Years		Total Debt Service	Total General Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2007	\$ 1,075,744	\$ 1,038,815	\$ 2,114,559	\$ 22,893,491	9.24%
2006	\$ 1,042,481	\$ 462,508	\$ 1,504,989	\$ 19,160,811	7.85%
2005	\$ 1,050,432	\$ 500,461	\$ 1,550,893	\$ 18,808,264	8.25%
2004	\$ 964,673	\$ 525,850	\$ 1,490,523	\$ 16,947,513	8.79%
2003	\$ 4,102,081	\$ 561,580	\$ 4,663,661	\$ 15,837,292	29.45%
2002	\$ 987,099	\$ 610,220	\$ 1,597,319	\$ 13,978,654	11.43%
2001	\$ 855,248	\$ 591,570	\$ 1,446,818	\$ 13,594,436	10.64%
2000	\$ 812,159	N/A	\$ 812,159	\$ 12,092,472	6.72%
1999	\$ 7,733,018	N/A	\$ 7,733,018	\$ 11,441,719	67.59%
1998	\$ 488,353	N/A	\$ 488,353	\$ 11,122,219	4.39%

N/A = information not available

*City of Poquoson, Virginia**Ratio of Annual Debt Service Expenditures to Total  
Governmental Expenditures***Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service (1)</u>	<u>Percentage of Debt Service to Expenditures</u>
2007	\$ 43,410,989	\$ 1,092,106	2.52%
2006	\$ 34,286,178	\$ 1,058,843	3.09%
2005	\$ 32,866,629	\$ 1,066,793	3.25%
2004	\$ 28,944,097	\$ 1,508,041	5.21%
2003	\$ 26,816,117	\$ 1,531,171	5.71%
2002	\$ 25,665,657	\$ 1,597,319	6.22%
2001	\$ 25,470,167	\$ 2,160,329	8.48%
2000	\$ 23,596,725	\$ 1,479,556	6.27%
1999	\$ 24,576,933	\$ 1,428,956	5.81%
1998	\$ 23,764,843	\$ 1,031,993	4.34%

(1) Includes debt service for all governmental fund types.

*City of Poquoson, Virginia**Demographic Statistics***Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2007	11,566 (1)	N/A	2,583	N/A
2006	11,566 (1)	N/A	2,572	2.3%
2005	11,566 (1)	\$ 36,964	2,563	2.8%
2004	11,566 (1)	\$ 35,917	2,503	2.9%
2003	11,566 (1)	\$ 33,139	2,503	2.8%
2002	11,566 (1)	\$ 31,673	2,492	2.2%
2001	11,566 (1)	\$ 30,261	2,483	2.3%
2000	11,566 (1)	\$ 28,797	2,474	1.7%
1999	11,005 (2)	\$ 26,817	2,485	2.2%
1998	11,005 (2)	\$ 25,815	2,481	2.2%

N/A = information not available

(1) Source: 2000 United States Census

(2) Source: 1990 United States Census

(3) Source: Weldon Cooper Center for Public Service combined amount for York County/Poquoson.

(4) Source: Poquoson School Board. Data is September enrollment for each fiscal year.

(5) Source: Weldon Cooper Center for Public Service



Table 20

*City of Poquoson, Virginia**Principal Employers in Poquoson - 2007 and Nine Years Ago*

Years ended June 30,		2007		1998		
Employment	Number of Employees	Ranking	Percentage of Total City Employment	Number of Employees	Ranking	Percentage of Total City Employment
Poquoson City Public Schools	417	1	18.40%	363	1	20.26%
City of Poquoson	180	2	7.94%	129	2	7.20%
Food Lion	90	3	3.97%	56	4	3.13%
Farm Fresh	75	4	3.31%	75	3	4.19%
Ggnsc Poquoson L.L.C.	54	5	2.38%	54	5	3.01%
Pizza Hut	48	6	2.12%	30	7	1.67%
Village Williamsburg	45	7	1.99%	N/A	N/A	0.00%
Poquoson Discount Pharmacy	35	8	1.54%	46	6	2.57%
McDonald's Restaurant	35	9	1.54%	20	8	1.12%
Stephen's Office Supply	27	10	1.19%	20	8	1.12%
	<u>1,006</u>		<u>44.40%</u>	<u>793</u>		<u>44.25%</u>

N/A = information not available

Source: Director of Finance

Table 21

## City of Poquoson

## Full-time Equivalent City Government Employees by Function/Program

Function/Program	Full-time Equivalent Employees as of June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government										
Management services										
Finance	14.00	12.60	12.00	11.50	10.50	9.70	9.30	8.70	9.35	9.05
Planning	8.00	8.00	7.50	7.20	7.20	7.20	7.20	7.20	7.30	7.30
Building	5.45	5.45	3.60	3.60	3.70	3.70	3.30	2.70	2.70	2.50
Other	4.00	4.00	3.10	2.10	2.25	2.50	2.50	2.50	2.50	2.50
Police	2.10	2.10	2.10	2.10	2.00	2.00	2.00	2.00	2.00	2.00
Officers	22.50	22.50	20.50	20.50	20.90	20.90	21.25	21.25	18.75	18.25
Civilians	6.50	6.50	6.50	6.10	5.75	5.75	6.75	6.75	6.75	6.75
Fire										
Firefighters and officers	26.00	26.00	26.00	26.00	26.00	22.00	22.50	22.50	21.50	20.50
Civilians	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Refuse collection	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other public works	14.50	14.50	14.50	14.50	14.50	14.50	13.50	13.50	13.50	13.50
Engineering	1.00	1.00	2.85	2.85	2.75	2.75	3.75	3.75	3.75	3.75
Other	2.00	2.00	2.00	2.10	2.10	2.10	2.10	2.00	2.00	2.00
Fleet	4.50	4.60	4.60	4.75	5.00	5.00	5.00	5.00	4.80	4.80
Redevelopment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parks and recreation	13.50	15.70	13.50	13.50	14.00	14.00	12.40	12.00	11.50	11.00
Library	11.45	11.45	10.45	10.45	10.45	9.95	9.95	9.95	9.75	8.75
Water	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wastewater	4.00	4.00	4.00	3.50	3.50	3.50	3.00	3.00	2.50	2.00
Transit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	143.50	144.40	137.20	134.75	134.60	128.55	127.50	125.80	121.65	117.65

Source: Director of Finance

## City of Poquoson, Virginia

## Operating Indicators by Function/Program

Last Ten Fiscal Years	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Physical arrests	379	444	412	350	482	438	778	493	545	558
Parking violations	71	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Traffic violations	1,041	550	712	468	701	762	795	1,075	1,415	1,040
Fire										
Emergency responses	1,687	1,466	1,194	1,106	1,127	1,055	1,183	1,183	1,096	1,037
Fires extinguished	35	52	85	180	76	85	63	63	165	160
Inspections	41	23	12	12	12	12	10	10	10	10
Refuse collection										
Refuse collected (tons per day)	1,872	1,650	1,610	1,604	1,646	1,550	1,535	1,573	1,606	1,644
Recyclables collected (tons per day)	1,560	1,601	1,312	1,578	1,396	1,174	1,153	1,230	1,205	1,150
Other public works										
Street resurfacing (tons)	4,943	3,620	3,019	2,737	2,536	3,409	4,725	5,900	4,725	3,597
Potholes repaired	n/a	n/a	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parks and recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community center admissions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Library										
Volumes in collection	58,369	57,196	53,856	52,644	51,684	50,755	47,496	42,703	40,141	36,012
Total volumes borrowed	193,354	190,000	181,360	179,276	197,299	189,127	186,450	193,785	218,590	212,062
Water										
New connections	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water mains breaks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Peak daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Average daily sewage treatment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer connections	4,790	4,649	4,544	4,494	4,440	4,200	3,881	3,907	3,740	3,678
Transit										
Total route miles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Passengers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = information not available

Source: Director of Finance

## City of Poquoson, Virginia

## Capital Asset Statistics by Function/Program

Function/Program	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Patrol units	23	23	21	21	20.9	21	21	21	19	18
Fire stations	2	2	2	2	2	2	2	1	1	1
Refuse collection										
Collection trucks	3	3	3	3	3	3	3	3	3	3
Other public works										
Street (miles)	53.16	53.16	52.88	51.95	51.76	51.76	51.76	51.76	51.76	50.31
Highways (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Streetslights	542	542	507	502	495	477	404	392	386	386
Traffic signals	4	3	3	3	3	3	3	3	3	1
Park and recreation										
Acreage	46	39	38	31	31	31	31	31	31	28
Playgrounds	4	3	3	2	2	2	2	2	2	2
Baseball/softball diamonds	5	3	3	3	3	3	3	3	3	3
Soccer/football fields	5	5	5	5	5	5	5	5	5	5
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire hydrants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Sanitary sewers (miles)	64	64	64	63	54	54	52	47	42	41
Storm sewers (miles)	16	16	15	14	13	12	10	9	7	4
Treatment capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transit-minibuses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = information not available

Source: Director of Finance

## City of Poquoson, Virginia

## Taxable Sales by Category

Last Ten Fiscal Years *	2007 **	2006 **	2005 **	2004	2003	2002	2001	2000	1999	1998
Merchant wholesalers	N/A	\$ 18,583	\$ -							
Building materials and garden equipment dealers	N/A	1,489,680	331,129							
Food and beverage stores	N/A	19,030,678	9,381,864							
Clothing stores	N/A	29,624	-							
Sporting goods, hobby, book, and music stores	N/A	1,117,200	292,916							
Rental and leasing services	N/A	879,354	421,564							
Professional, scientific, and technical services	N/A	183,261	-							
Food services and drinking places	N/A	7,481,522	6,784,574							
Repair and maintenance	N/A	900,467	-							
Personal and laundry services	N/A	287,507	-							
Nonstore retailers	N/A	23,667	-							
Miscellaneous store retailers	N/A	1,213,683	4,002,607							
Other/no code	N/A	7,524,257	14,414,596							
Total	N/A	\$ 40,179,483	\$ 35,629,250							
Apparel stores	\$ -	\$ -	\$ -							
General merchandise	1,941,064	1,771,804	1,232,901							
Food stores	7,690,609	6,877,663	6,649,920							
Eating and drinking establishments	-	-	-							
Home furnishings and appliances	16,794	88,709	-							
Building materials and farm tools	692,509	664,981	416,800							
Auto dealers and supplies	1,760,755	2,358,836	2,378,111							
Service stations	-	-	-							
Other retail stores	-	-	-							
All other outlets	26,875,400	26,206,688	27,158,398							
Total	\$ 38,977,131	\$ 37,968,681	\$ 37,836,130							

\* Information obtained is for calendar years.  
 \*\*\* NACIS codes changed for years 2005, 2006, and 2007.  
 Source: Commissioner of the Revenue  
 N/A = information not available

*City of Poquoson, Virginia**Property Value and Construction***Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Property Value (1)</u>	<u>New Construction (2)</u>
2007	\$ 1,708,284,630	\$ 21,011,400
2006	\$ 1,096,765,878	\$ 21,244,700
2005	\$ 1,073,629,919	\$ 22,166,700
2004	\$ 895,681,790	\$ 11,466,000
2003	\$ 874,326,647	\$ 20,870,700
2002	\$ 786,475,643	\$ 12,046,500
2001	\$ 773,872,808	\$ 15,661,400
2000	\$ 696,175,556	\$ 13,224,500
1999	\$ 682,115,739	\$ 9,449,000
1998	\$ 621,978,401	\$ 11,287,400

(1) Real property valuation of total taxable and tax exempt property.

Source: Commissioner of the Revenue

(2) Source: City Assessor

*City of Poquoson, Virginia**Miscellaneous Statistical Data***Year Ended June 30, 2007**

<b>Date of Incorporation</b>	1975
<b>Form of Government</b>	Council-Manager
<b>Population</b>	11,566
<b>Area</b>	14.7 square miles
<b>Lane miles of streets</b>	
City maintenance	109.58
<b>Number of street lights</b>	542
<b>Fire Protection</b>	
Number of stations	2
Number of firefighters and officers	26
Number of volunteers	35
<b>Police Protection</b>	
Number of stations	1
Number of policemen and officers	22
Number of auxiliary	4
<b>Rescue</b>	
Number of squads	1
Number of volunteers	30
<b>Education</b>	
Elementary schools	2
Middle schools	1
High schools	1
<b>Sewers</b>	
Sanitary sewers	64 miles
Storm drains	123 miles
<b>Recreation and culture</b>	
Number of major parks and recreational facilities	15
Acreage of major parks and recreational facilities	46 acres
Number of libraries	1
Number of volumes	58,369
<b>Employees</b>	
City	178
Schools	417
Constitutional Officers	2
<b>Registered Voters</b>	8,349

Source: Director of Finance



*City of Poquoson, Virginia**Miscellaneous Statistical Data*


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**Year Ended June 30, 2007**


---

**Taxable Retail Sales [1]**Calendar Year

2007	N/A
2006	\$ 40,179,483
2005	\$ 35,629,250
2004	\$ 38,977,131
2003	\$ 37,968,681
2002	\$ 37,836,130
2001	\$ 34,631,956
2000	\$ 32,194,843
1999	\$ 31,360,650
1998	\$ 27,049,341

**Building Permits**

Number of new residential buildings constructed	78
Number of new commercial buildings constructed	1
Number of residential buildings demolished	4

[1] Source - Virginia Department of Taxation.

N/A = information not available



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***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***

Honorable Mayor and City Council  
*City of Poquoson, Virginia*

We have audited the financial statements of the *City of Poquoson, Virginia*, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the *City of Poquoson, Virginia'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 of Poquoson, Virginia's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *City of Poquoson, Virginia's* internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

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Honorable Mayor and City Council  
*City of Poquoson, Virginia*

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this report and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all deficiencies that are considered to be material weaknesses. However, we consider the two significant deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

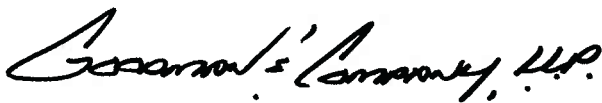
#### *Compliance and Other Matters*

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

We also noted certain other matters that we reported to management of *City of Poquoson, Virginia* in a separate letter dated December 20, 2007.

The *City of Poquoson, Virginia's* responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the *City of Poquoson, Virginia's* responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of *City of Poquoson, Virginia's* City Council, management, 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.



Newport News, Virginia  
December 20, 2007



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***Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133***

Honorable Mayor and City Council  
***City of Poquoson, Virginia***

***Compliance***

We have audited the compliance of the ***City of Poquoson, Virginia*** and Subsidiary, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The ***City of Poquoson, Virginia***'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the management of the ***City of Poquoson, Virginia***. Our responsibility is to express an opinion on the ***City of Poquoson, Virginia***'s compliance based on our audit.

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

In our opinion, the ***City of Poquoson, Virginia*** 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, 2007.

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Honorable Mayor and City Council  
*City of Poquoson, Virginia*

*Internal Control Over Compliance*

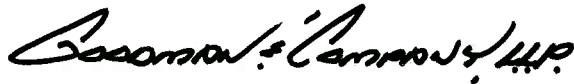
The management of the *City of Poquoson, Virginia* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City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

A control deficiency in the *City of Poquoson, Virginia's* internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *City of Poquoson, Virginia's* ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the *City of Poquoson, Virginia's* internal control.

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

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

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



Newport News, Virginia  
December 20, 2007



***Report of Independent Auditors on Compliance  
with Commonwealth of Virginia Laws,  
Regulations, Contracts and Grants***

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Honorable Mayor and City Council  
***City of Poquoson, Virginia***

We have audited the financial statements of the ***City of Poquoson, Virginia***, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007.

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 general-purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the ***City of Poquoson, Virginia***, is the responsibility of the ***City of Poquoson, Virginia's*** management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the ***City of Poquoson, Virginia's*** compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Enhanced 911 Services Taxes
- Personal Property Tax Relief Act

State Agency Requirements

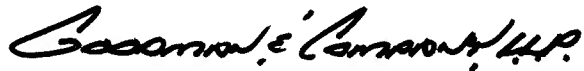
- Education
- Comprehensive Services Act
- Highway Maintenance Funds

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*City of Poquoson, Virginia*

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. This instance is discussed in the Schedule of Findings and Questioned Costs as Finding 07-3. With respect to items not tested, nothing came to our attention that caused us to believe that the *City of Poquoson, Virginia*, had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of *City of Poquoson, Virginia's* City Council, management, the Auditor of Public Accounts and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "G. E. Bennett, LLP". The signature is written in a cursive, flowing style.

Newport News, Virginia  
December 20, 2007



*City of Poquoson, Virginia*

*Schedule of Expenditures of Federal Awards*

**Year Ended June 30, 2007**

Federal granting agency/recipient state agency/grant Program/grant number	Federal CFDA Number	Federal Expenditures
<b>U. S. Department of Agriculture</b>		
Pass through payments:		
Department of Agriculture and Consumer Services:		
National School Lunch Program	10.555	\$ 126,534
State Department of Agriculture and Consumer Services:		
National School Lunch Program		
USDA donated commodities	10.555	44,482
<b>U.S. Department of Transportation</b>		
Pass through payments:		
Department of Motor Vehicles:		
Alcohol Traffic Safety and Drunk Driving		
Prevention Incentive	20.607	27,876
Hazardous Materials Planning Grant	20.703	6,500
Click it or Ticket	20.600	1,000
<b>U.S. Department of Education</b>		
Direct payments:		
Impact Aid	*	84.041 101,418
Pass through payments:		
Virginia Department of Education :		
Title I - Grants to local educational agencies	84.010	101,882
Improving teacher quality state grants	84.367	59,729
Title II	84.282	1,307
Title VI:		
Innovative Education Program Strategies	84.298	4,115
Elementary and Secondary Education Act (ESEA):		
Title VI-B:		
Assistance to states for education of handicapped children:		
Special Education Grants	84.027	403,999
Vocational education-basic grants to states	84.048	19,627
State and Drug-free Schools and Communities	84.186	9,799
Education Technology Grant	84.318	-
Preschool Handicapped	84.173	12,364

*City of Poquoson, Virginia*

*Schedule of Expenditures of Federal Awards*

**Year Ended June 30, 2007**

	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Justice</b>		
Direct payments:		
COPS Fast Grant	16.710	58,682
<b>U.S. Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grant	14.228	256,310
<b>U.S. Department of Homeland Security</b>		
Direct payments:		
Terrorism prevention	97.074	26,024
FEMA Public Assistance	97.036	90,779
State domestic preparedness equipment support program	97.004	30,074
Pass through payments:		
Hazard Mitigation Grant	* 97.039	424,138
		<u>\$ 1,806,639</u>

\* Represents a major program of the City of Poquoson.

*City of Poquoson, Virginia*

*Notes to Schedule of Expenditures of Federal Awards*

---

**June 30, 2007**

---

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Poquoson and is presented on the modified accrual basis of accounting. The City's reporting entity is defined in Note 1 to the City's financial statements. 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*.

**2. Food Distribution**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2007, the food service organization had food commodities totaling \$9,920 in inventory.

\* \* \* \* \*

## *City of Poquoson, Virginia*

### *Schedule of Findings and Questioned Costs*

---

**Year Ended June 30, 2007**

---

#### **1. Summary of Auditors' Results**

- a) The auditor's report expresses an unqualified opinion on the financial statements of the City.
- b) There were two significant deficiencies noted in internal control over financial reporting that were considered to be material weaknesses as reported below. In addition, there were several immaterial significant deficiencies that were reported in the letter to management dated December 20, 2007.
- c) No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.
- d) No significant deficiencies were noted during the audit of internal control over major federal programs.
- e) The auditor's report on compliance for the major federal programs of the City expressed an unqualified opinion on the major federal programs.
- f) The audit did not disclose any audit findings required to be reported.
- g) The major programs are:
  - i) Hazard Mitigation Grant (CFDA No. 97.039)
  - ii) Impact Aid (CFDA No. 84.041)
- h) The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- i) The auditee qualified as a low-risk auditee.

#### **2. Findings Relating to the General-Purpose Financial Statements which are Required to be Reported in accordance with Generally Accepted Governmental Auditing Standards.**

##### **Finding 07-1**

**Condition:** There is a lack of segregation of duties in the recording of adjusting journal entries. Specifically, two of the entries tested possessed the same individual as the preparer, authorizer, and poster of the entry into the general ledger.

**Criteria:** Internal controls should be in place to ensure adequate separation of duties for adjusting journal entries.

**Effect:** A lack of segregation of duties in adjusting journal entries could lead to improper or unauthorized adjustments to account balances.

**Recommendation:** We recommend that procedures be established to ensure that the duties in the approval and recording of adjusting journal entries are adequately segregated.

**Management's Response:** We agree with the audit recommendation and will implement procedures to adequately segregate the adjusting journal entry process.

### **Finding 07-2**

**Condition:** A significant amount of appropriations were made to the 2006-2007 budget during the September, 2007 City Council meeting in order to correct significant deficits as a result of encumbrances.

**Criteria:** Procedures should be in place to ensure that budget vs. actual expenditures are reviewed on a monthly basis.

**Effect:** A lack of regular review over budget and actual expenditures could lead to the authorization of expenditures without appropriated funds to pay for the expenditures, or unauthorized expenditures.

**Recommendation:** We recommend that procedures be established to ensure that actual expenditures are compared with budget on a monthly basis.

**Management's Response:** We agree with the audit finding and will implement procedures to review budget and actual expenditures on a regular basis.

### **3. Findings and Questioned Costs - Federal Programs**

None

### **4. Findings and Questioned Costs – Commonwealth of Virginia Laws, Regulations, Contracts and Grants**

### **Finding 07-3**

**Condition:** The State and Local Government Conflict of Interests Act contained in Chapter 31 of Title 2.2 of the Code of Virginia requires local government officials to file a statement of economic interests with the clerk of the governing body by January 15 of each year.

**Criteria:** One statement of economic interests was not filed timely with the clerk of the governing body.

**Effect:** The City is not in compliance with the State and Local Government Conflict of Interests Act.

**Recommendation:** The City should take steps to ensure that each local official files the statement of economic interests in a timely manner.

**Management's Response:** We agree with the audit finding. The City will take steps to help ensure that all officials required to file a statement of economic interests do so on a timely basis.

### **5. Status of Prior Year Audit Findings**

There were no audit findings for the year ended June 30, 2006.