



CITY OF POQUOSON, VIRGINIA
Comprehensive Annual Financial Report
Fiscal Year July 1, 2008 - June 30, 2009



*Comprehensive Annual
Financial Report*

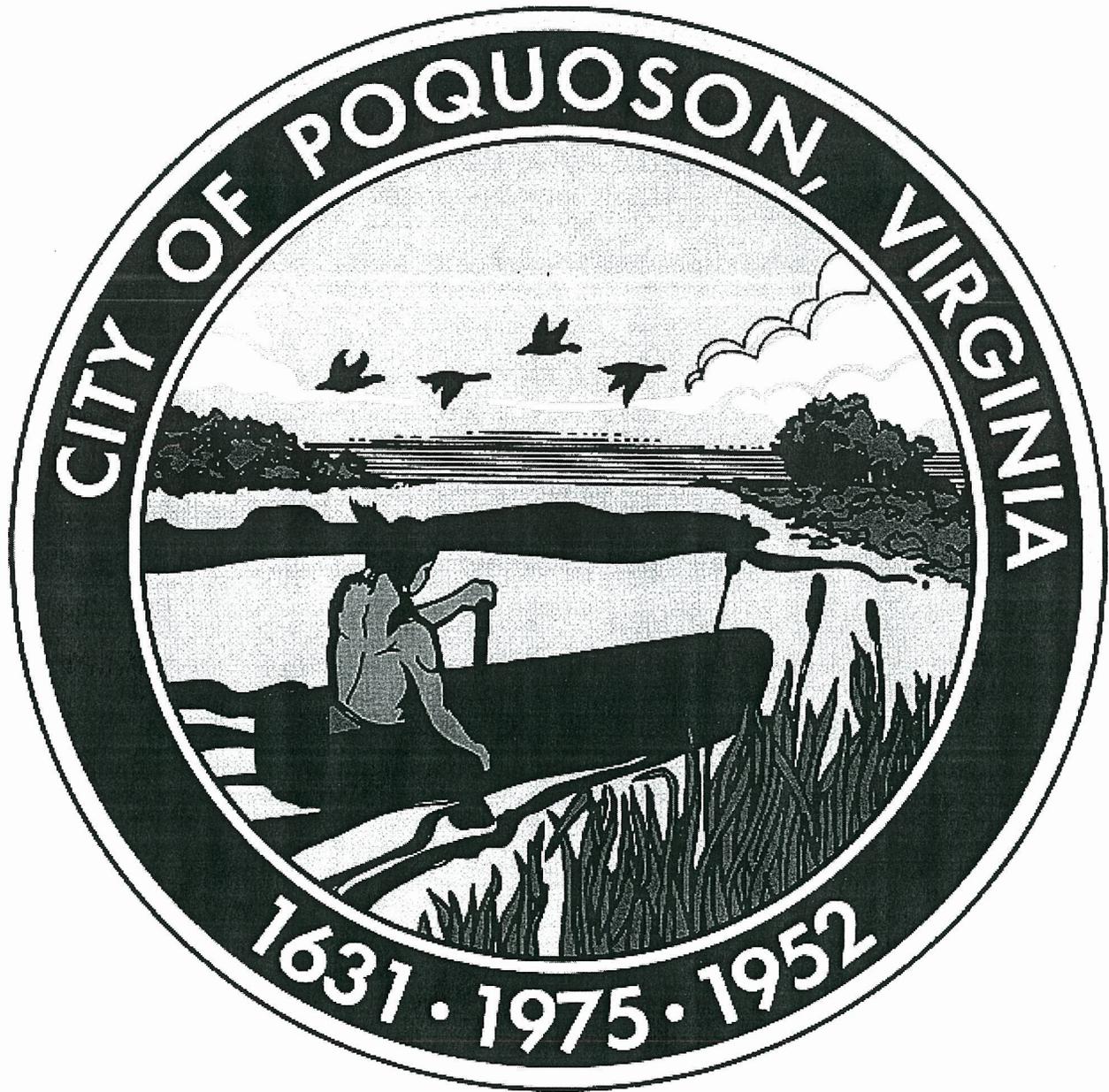
City of Poquoson, Virginia

Fiscal Year Ended June 30, 2009

Prepared by:

The Department of Finance

Theresa S. Owens, CPA, Director of Finance



INTRODUCTORY SECTION

City of Poquoson, Virginia
Government Officials

City Council

Gordon C. Helsel, Jr., Mayor
Arthur V. Holloway, Jr., Vice Mayor
Traci-Dale Crawford
Carey L. Freeman
W. Eugene Hunt, Jr.
Frank A. Kreiger
E. Thomas Meree

City Officials

J. Randall Wheeler, City Manager
Theresa S. Owens, 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

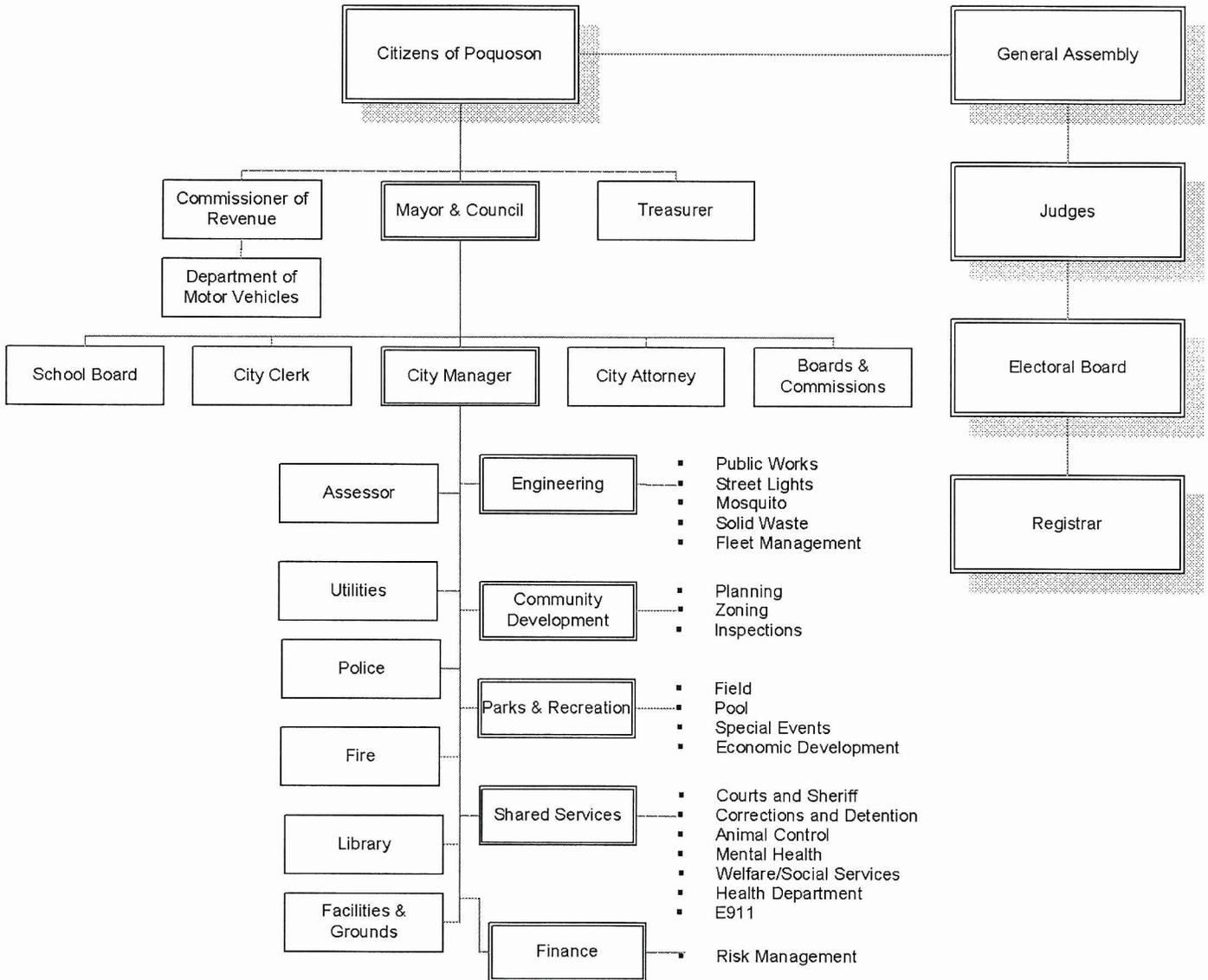
Kerry Y. Knowlton, Chair
R. Scott Diggs, Vice Chair
Deborah A. Banton
Constance B. Sledd
Beth A. Wilson
Kevin V. Brennan
William K. Smith

School Officials

Dr. Jennifer Parrish, Superintendent
Linda Reviea, Deputy Superintendent
Bill Bowen, Executive Director of Business and Finance
Steven G. Pappas, Executive Director of Operations

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.



A handwritten signature in black ink, appearing to read "Ronald Johnson".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

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City of Poquoson, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009

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CITY OF POQUOSON

500 CITY HALL AVENUE, POQUOSON, VIRGINIA 23662-1996
(757) 868-3000 FAX (757) 868-3101

Office of the City Manager

J. Randall Wheeler

December 4, 2009

To the Honorable Mayor Helsel, Members of City Council, and the 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, 2009. An audited annual financial report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

Management assumes full responsibility for the reliability of the information contain in this report, based upon a comprehensive framework of internal control that it has established for this purpose. 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.

Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants, have issued an unqualified opinion on the City's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section 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 City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

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 the 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.

Profile of the City of Poquoson

The City of 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 27th largest metropolitan statistical area in the country. The City of 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 11,800.

The City 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 Manager serves at the pleasure of Council, carries out its policies, directs business procedures and has the power of appointment and removal of all heads of 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 and 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 31.

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 no later than May 31. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments and additional appropriations require 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 60 of the report.

Local Economy

During the year ended June 30, 2009, the City began to feel the impact of the national and state economic downturns. Real estate sales within the City are down. The decline in the number of home sales has caused a reduction in the number of building permits being issued and the revenue collected for recordation taxes. Fewer new cars purchased, coupled with the decline in values of used cars, have resulted in a significant decline in the amount of personal property tax revenue collected.

The City 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 localities who use business tax revenue. Although the City of Poquoson's tax base is challenged by few commercial enterprises, it is not as susceptible to change as other localities that depend on commercial revenue to fund services. Because of this, the City has seen other types of local revenue remain stable.

Long-Term Financial Planning

Budgets are adopted annually, taking into consideration input from all organizational levels of the City. The Planning Commission adopts the Capital Improvement Plan; the document then goes to City Council for approval. Approved capital projects are included in the annual budget document to the extent funds are available. The long-term revenue, expenditure and service implication of continuing or ending existing programs or adding new programs, services, and debt are considered while formulating budgets annually. The City assesses the condition of all major capital assets, including buildings, roads, sewer lines, vehicles, and equipment annually.

Relevant Financial Policies

In October 2009, the City formally adopted a series of financial policy guidelines to include debt policies as well as fund balance policies. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times, therefore one of the fund balance policies adopted included maintaining a minimum unobligated fund balance of 12%-15% of the current year budgeted expenditures.

Major Initiatives

The City has reviewed and revised its Comprehensive Plan, which is an official public document adopted by the City of Poquoson Planning Commission and the Poquoson City Council. The plan is a general, long range policy and implementation guide for decisions concerning the overall growth and development of the City. The plan serves as a catalyst and guide to the establishment of, or revision to, other ordinances or planning tools for the City.

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.

In November 2008, the City completed the construction of Fire Station #1 to replace the existing station which was damaged due to flooding from Hurricane Isabel. Financing was 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 original school built in 1952, contained many serious building deficiencies and failed to meet current educational program needs. Construction of the new building, equipment, furnishings, and demolition of the existing elementary school is expected to cost \$19,500,000. The City has completed the financing to pay for the new school building. This project was substantially completed by September 2008 and classes began at the new school.

In October 2008, the City was awarded by the Virginia Department of Transportation grant funding for entry access into a redeveloped South Lawson Park. With the exception of the access road, this project was substantially complete in November 2009. Various recreational activities are expected to be played on the existing improved fields in the fall of 2009 and the new fields in the fall of 2010.

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, 2008. This was the twenty first 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 2009. 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 Commissioner's office and the Treasurer's office. Credit also must be given to City Council for their unfailing support for maintaining the highest standards in the management of the City finances.

Respectfully submitted,

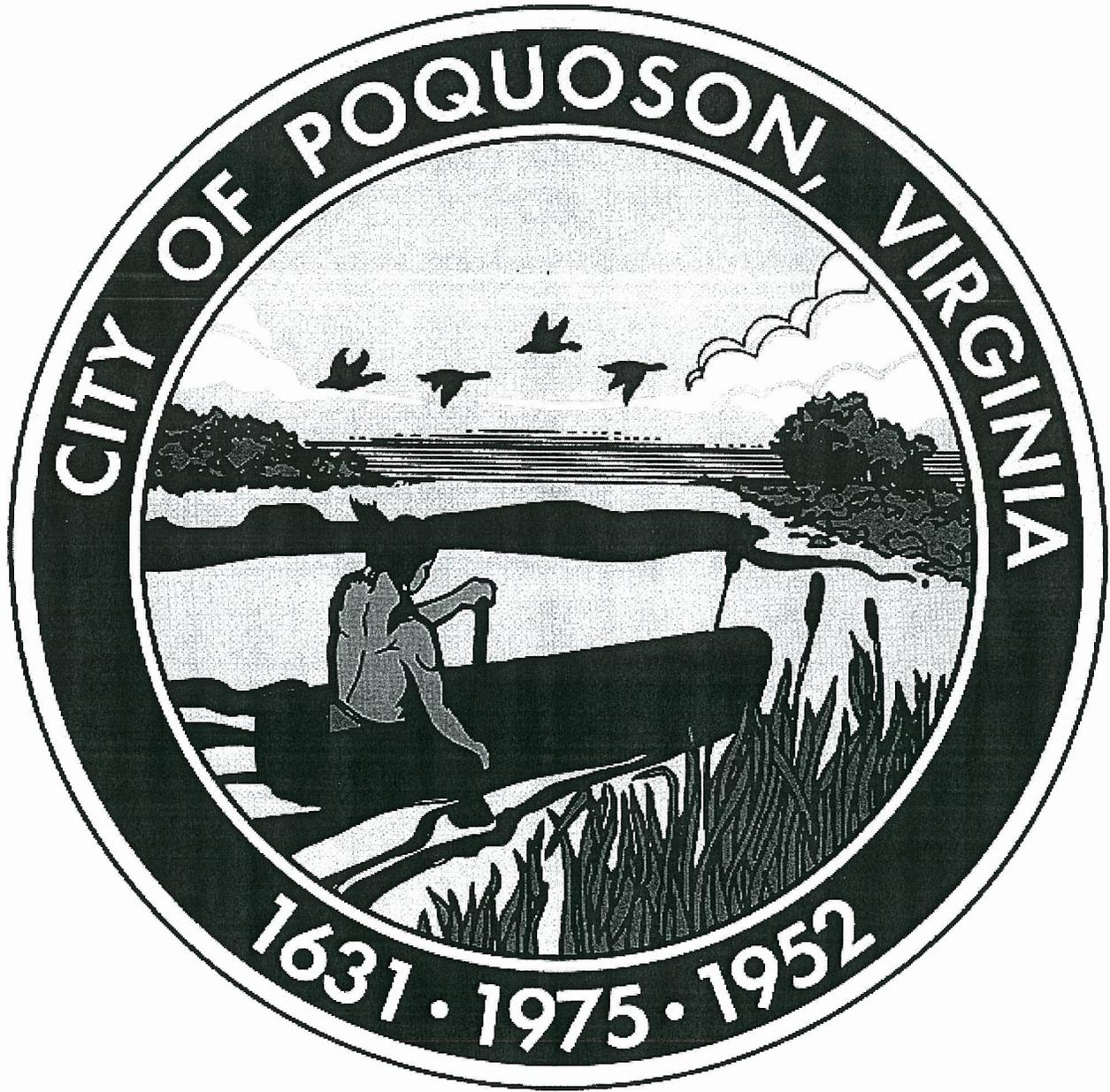


Theresa S. Owens, CPA
Director of Finance



James R. Wheeler
City Manager

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FINANCIAL SECTION



Independent Auditors' Report

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 (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Poquoson, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2009, 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 4, 2009 on our consideration of the City of Poquoson, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-17, the budgetary comparison schedule for the general fund on pages 59-64, and the schedules of funding in progress on pages 65-66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 this information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Poquoson, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund statements, statistical section, as well as the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report 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.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
December 4, 2009



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, 2008 — June 30, 2009

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, 2009. 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 vii through xi of this report.

Financial Highlights

- On a government-wide basis, the net assets of the City of Poquoson exceeded its liabilities as of June 30, 2009 by \$29.9 million (net assets). Of this amount, \$5.7 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- For governmental activities, the City's total net assets increased by \$2.1 million.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$5.3 million, of which \$3.9 million is available to spend at the City's discretion.

- As of June 30, 2009, unreserved fund balance for the General Fund was \$3.4 million, or 16% of total General Fund expenditures.
- The City of Poquoson's total debt outstanding at June 30, 2009 was \$42.5 million.

Overview of the Financial Statements

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 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 Operations 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 is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison 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 two 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. The City of Poquoson uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, the Fleet 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 30-58 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 Poquoson Public School component unit. Supplementary information can be found on pages 59-76 of this report.

Government–Wide Financial Analysis

Summary of Statement of Net Assets

June 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Current and other assets	\$6,827,244	\$12,584,431	\$1,295,818	\$1,731,405	\$8,123,062	\$14,315,836
Capital assets	51,139,328	43,650,231	15,187,650	15,818,159	66,326,978	59,468,390
Total assets	\$57,966,572	\$56,234,662	\$16,483,468	\$17,549,564	\$74,450,040	\$73,784,226
Current and other liabilities	\$1,552,431	\$2,993,272	\$230,282	\$253,750	\$1,782,713	\$3,247,022
Long-term liabilities	33,090,856	32,031,125	9,619,646	10,322,539	42,710,502	42,353,664
Total liabilities	34,643,287	35,024,397	9,849,928	10,576,289	44,493,215	45,600,686
Net assets:						
Invested in capital assets,						
Net of related debt	18,654,461	12,045,582	5,595,258	5,518,765	24,249,719	17,564,347
Unrestricted	4,668,824	9,164,683	1,038,282	1,454,510	5,707,106	10,619,193
Total net assets	\$23,323,285	\$21,210,265	\$6,633,540	\$6,973,275	\$29,956,825	\$28,183,540

Net assets serve as a useful indicator of a government’s financial position. The City’s combined net assets total \$29.9 million, 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 \$24.2 million. 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 \$5.7 million is 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 categories of net assets, both for the governmental and business-type activities.

Governmental Activities. The government’s net assets increased by \$1.8 million during FY 2009. The governmental activities increased by \$2.1 million and the business-type activities decreased by \$.33 million. The majority of increases in the governmental activities represent City investments in capital assets. The decrease of the net assets of the business-type activities is primarily due to the start up costs for implementation of a new solid waste program and a decrease in sewer availability fees.

Summary of Changes in Net Assets
June 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Revenues:						
Program revenues:						
Charges for services	\$461,386	\$365,764	\$2,286,174	\$2,203,924	\$2,747,560	\$2,569,688
Operating grants and contributions	1,658,180	2,290,305	-	-	1,658,180	2,290,305
Capital grants and contributions	2,873,294	1,745,973	-	-	2,873,294	1,745,973
General revenues:						
Real estate and personal property taxes	17,989,555	15,956,711	-	-	17,989,555	15,956,711
Other local taxes	2,537,554	2,613,196	-	-	2,537,554	2,613,196
Reimbursements from other agencies	95,694	1,367,713	-	-	95,694	1,367,713
Miscellaneous	99,725	294,109	141,797	121,571	241,522	415,680
Unrestricted investment earnings	179,671	728,606	29,264	37,001	208,935	765,607
Loss on disposal of capital assets	-	-	-	-	(102,999)	-
Total revenues	25,895,059	25,362,377	2,457,235	2,362,496	28,249,295	27,724,873
Expenses:						
General government	2,379,573	1,415,530	-	-	2,379,573	1,415,530
Public safety & judicial	5,844,764	6,668,792	-	-	5,741,765	6,668,792
Public works	1,780,286	1,587,249	-	-	1,780,286	1,587,249
Health and welfare	1,162,301	1,081,767	-	-	1,162,301	1,081,767
Education	8,364,349	8,405,003	-	-	8,364,349	8,405,003
Parks, recreation, cultural	1,389,000	1,249,535	-	-	1,389,000	1,249,535
Community development	1,272,635	2,327,008	-	-	1,272,635	2,327,008
Nondepartmental	355,445	-	-	-	355,445	-
Interest and fees on long-term debt	1,263,686	1,399,427	-	-	1,263,686	1,399,427
Sewer	-	-	1,534,743	1,604,560	1,534,743	1,604,560
Parks and Recreation	-	-	463,662	463,668	463,662	463,668
Solid Waste	-	-	768,565	904,411	768,565	904,411
Total expenses	23,812,039	24,134,311	2,766,970	2,972,639	26,476,010	27,106,950
Change in net assets before transfers	2,083,020	1,228,066	(309,735)	(610,143)	1,773,285	617,923
Transfers	30,000	(258,430)	(30,000)	258,430	-	-
Increase in net assets	2,113,020	969,636	(339,735)	(351,713)	1,773,285	617,923
Net assets, Beginning of Year	21,210,265	20,240,629	6,973,275	7,324,988	28,183,540	27,565,617
Net assets, End of Year	\$23,323,285	\$21,210,265	\$6,633,540	\$6,973,275	\$29,956,825	\$28,183,540

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

	FY 2009	FY 2008
Real estate tax revenue	\$13,451,652	\$13,314,331
Public service corporation taxes	109,198	126,459
Personal property taxes	2,335,554	2,581,520
Penalties and interest	138,018	104,858
Total	<u>\$16,034,422</u>	<u>\$16,127,168</u>

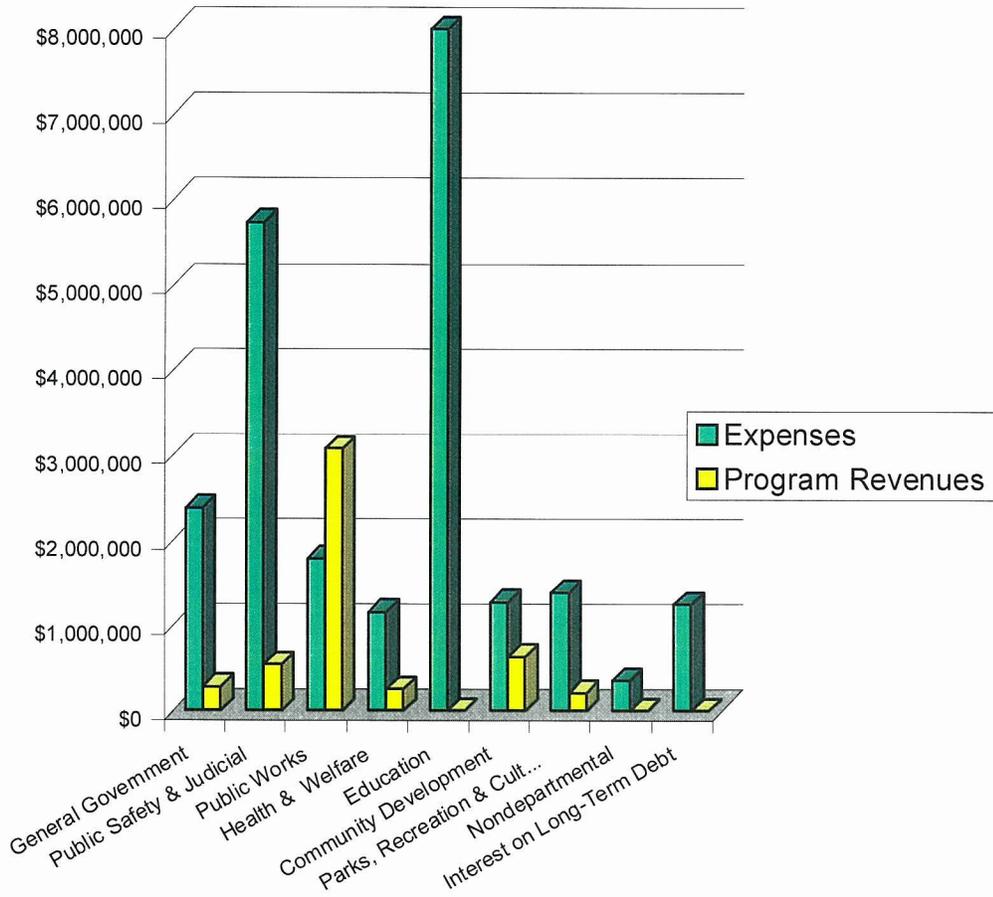
Real estate revenue increases in FY 2009 were due to growth and new buildings. The City's real estate property tax assessments were \$1,698,795,508 and \$1,678,329,182 for FY 2009 and FY 2008, respectively. The City's real estate tax rate was \$0.81 per \$100 of assessed value in FY 2009 and FY 2008.

The City's personal property tax assessments were \$120,265,823 and \$145,063,716 for FY 2009 and FY 2008 respectively. In FY 2009 and FY 2008 the City's personal property tax rate was \$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. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the State's share of local personal property tax was \$1,923,431 for FY 2009 and FY 2008, and is classified as reimbursements from other agencies on the Statement of Activities.

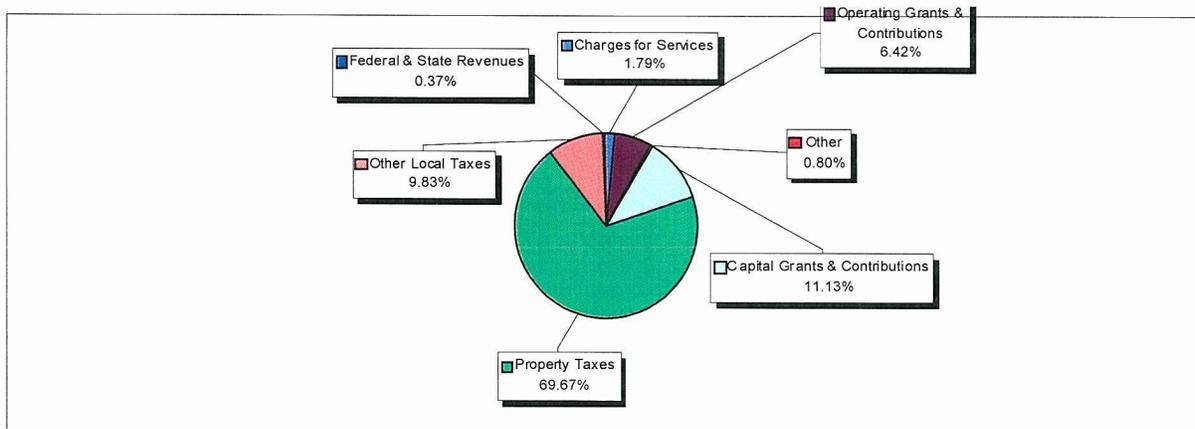
Other local taxes were \$2.5 million and \$2.6 million for FY 2009 and FY 2008, respectively, and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes and a variety of other taxes.

For FY 2009, expenditures from governmental funds totaled \$30.9 million, including a payment of \$8.1 million to the School Board component unit and a \$51,250 payment to the IDA component unit. For FY 2008, expenditures from governmental funds totaled \$39.2 million, including a net payment of \$8.1 million to the School Board component unit and \$110,000 payment to the IDA component unit. The City's decrease in expenses relate mainly to two major capital projects either completed or mostly completed in fiscal year 2008.

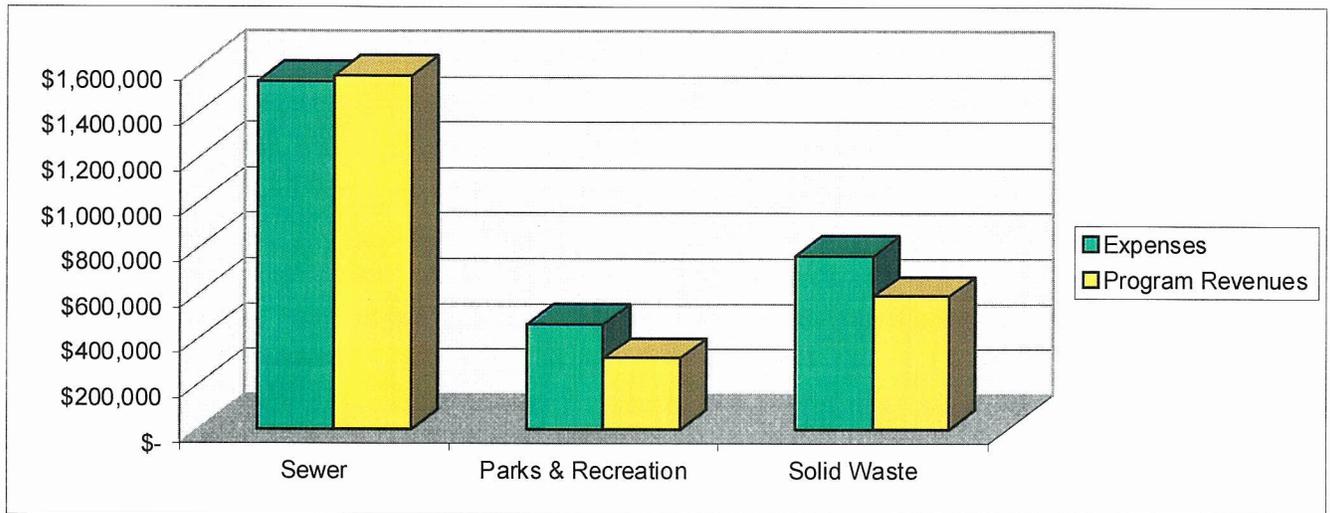
Expenses and Program Revenues – Governmental Activities



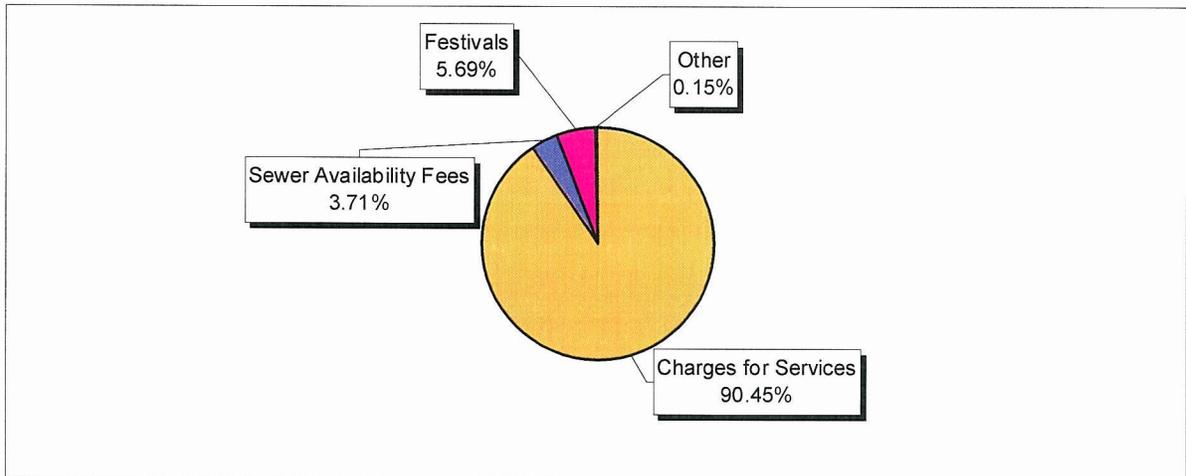
Revenues by Sources – Governmental Activities



Expense and Program Revenues – Business-Type Activities



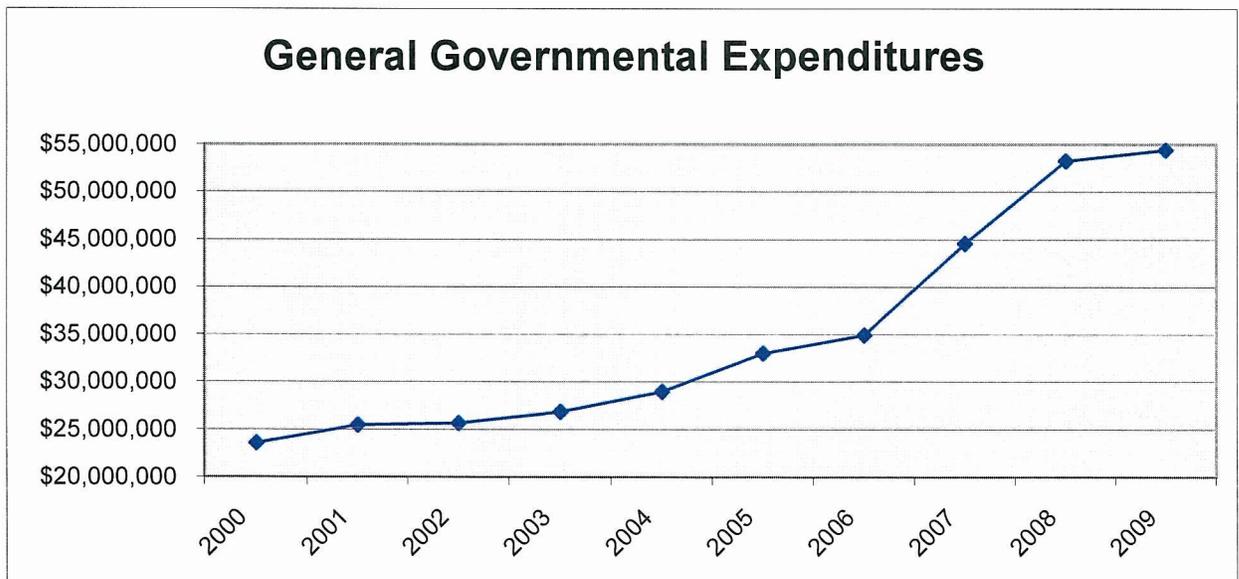
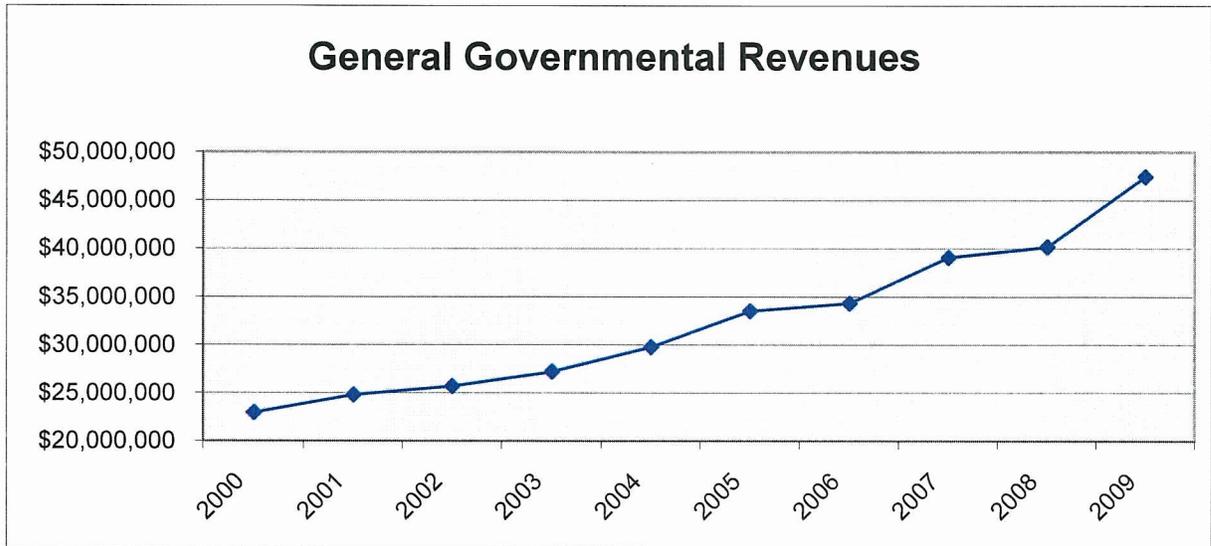
Revenues by Source – Business-Type Activities



Business-Type Activities. Business-type activities decreased the City’s net assets before transfers by \$.3 million and \$.33 million after transfers. 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, City 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 have increasing expenses. The Parks and Recreation Enterprise 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 implemented a new garbage plan during Fiscal Year 2008. City Council elected to use a portion of net assets to cover the startup costs of the new tote/container program.

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.



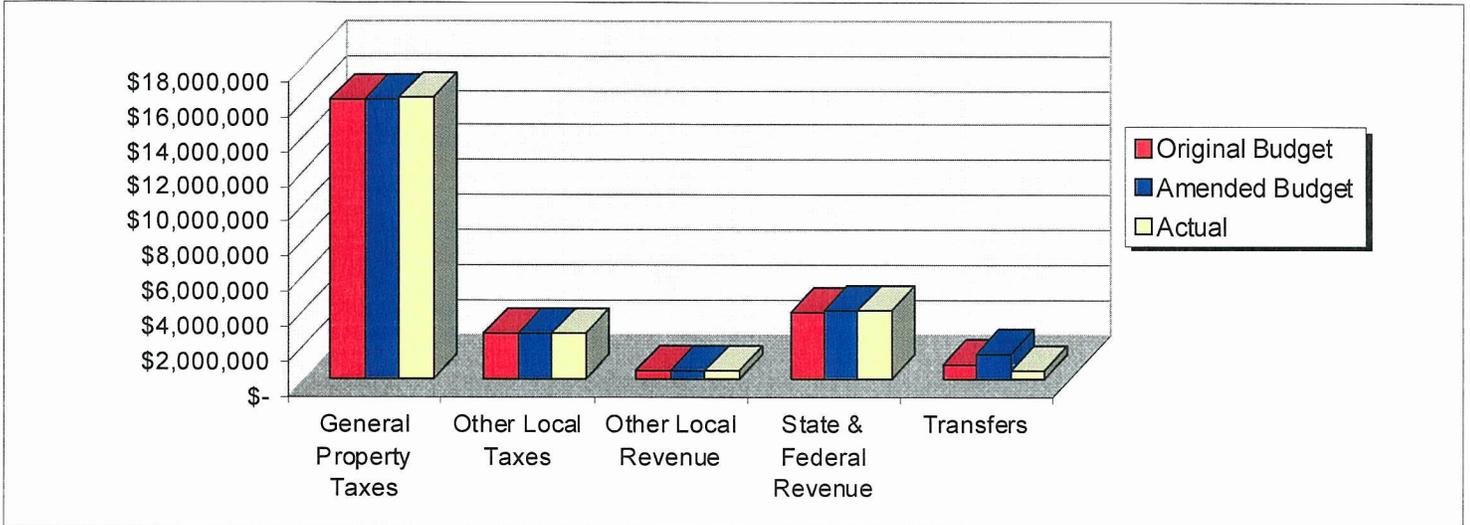
General Fund Budgetary Highlights

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 \$.77 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$.13 million additional transfer to the schools for the prior year unspent transfer for a school bus and miscellaneous operating expenditures.
- \$.22 million additional transfer to the Capital Projects Fund for construction of a new park.
- \$.12 million re-appropriation of restricted revenue received for the Police Department, Fire Department and Library.
- \$.11 million appropriation for various grants for the Police Department and Community Development Department.
- \$.08 million appropriation for additional expenditures in grounds maintenance and contributions.
- \$.07 million appropriation for additional equipment for general government administration.

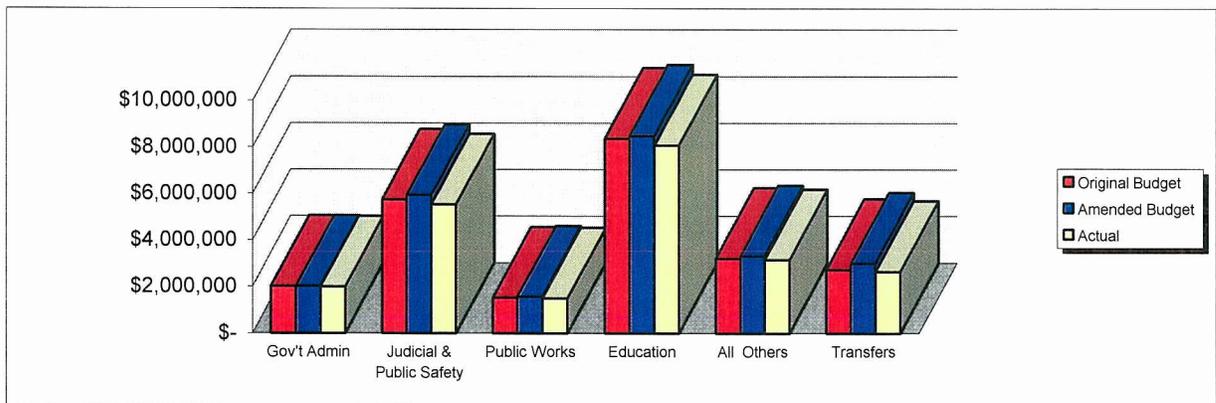
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

**General Fund Revenue
Comparison of Budget to Actual**



The City's actual general fund revenues of \$23.1 million fell short of the original budget by \$.5 million and shows a decrease of \$1.2 million from the amended budget. Due to the increased gas prices in October 2008, the value of large vehicles decreased significantly therefore the City's personal property tax revenues were significantly lower than anticipated for the June 2009 billings. The City also had lower than expected revenues for other local taxes, lower revenue for use of money, and State categorical aid. The economy was the major factor causing these revenues to be lower than expected.

**General Fund Expenditures (Budgetary Basis)
Comparison of Budget to Actual**



As reflected above, actual General Fund expenditures were \$22.9 million on a budgetary basis. The decrease in expenditures is a result of the City reducing capital fund projects and reducing expenditures due to the down turn in the economy.

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 and Facilities Improvement 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.

The major sources of funding for the Capital Projects are transfers from the General Fund and debt proceeds. The Capital Projects Fund also received Federal and State grants for projects.

During FY 2009, capital projects expenditures of \$7.1 million included design and construction costs for the new elementary school, school capital expenditures, new park development, highway and drainage improvements, fire station and improvements to the sports facilities at the middle school.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to \$66.3 million (net of accumulated depreciation). 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 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Land	\$2,898,979	\$2,890,479	\$243,216	\$250,216	\$3,142,195	\$3,140,695
Construction in progress	19,943,410	18,615,597	-	-	19,943,410	18,615,597
Buildings	7,104,575	4,329,026	7,627	10,739	7,112,202	4,339,765
Infrastructure	6,434,046	4,591,952	-	-	6,434,046	4,591,952
Land improvements	1,973,353	2,138,102	-	-	1,973,353	2,138,102
Machinery and equipment	3,015,887	3,158,947	309,712	372,257	3,325,599	3,531,204
Sewer system	-	-	14,568,138	15,184,947	14,568,138	15,184,947
Sewer easement	-	-	7,000	7,000	7,000	7,000
Intangible	-	-	51,957	24,597	51,957	24,597
Allocated school buildings	9,769,078	7,926,128	-	-	9,769,078	7,926,128
Total	\$51,139,328	\$43,650,231	\$15,187,650	\$15,849,756	\$66,326,978	\$59,499,987

Debt Administration. Total outstanding general obligation debt at June 30, 2009 was \$42.5 million of which \$32.7 million is considered to be net direct tax supported debt. Included in the total debt are \$30.0 million in bonds and leases, and \$2.7 million in State Literary Loans. The remaining \$9.8 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund.

State statutes limit the amount of general obligation debt a government may issue up to 10% of its total assessed valuation of real estate and public service corporations. The June 30, 2009 debt limitation for the City of Poquoson is \$169.9 million, which is significantly in excess of the City of Poquoson's \$42.5 million outstanding net direct bonded debt.

Net Direct Tax Supported Debt
General Governmental Activities

	FY 2009	FY 2008
Net direct bonded debt	\$32,705,705	\$31,604,649
Ratio of outstanding direct debt to assessed value	1.92%	1.88%
Net debt per capita	\$2,828	\$2,733

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 42-50 of this report.

Economic Factors and Next Year's Budgets and Rates

The FY 2010 budget was prepared with economic trends within the City taken into account:

- The unemployment rate for the City of Poquoson was 5.4% compared to a state-wide rate of 7.1% and a national average of 9.5%.
- FY 2010 is a reassessment year, and due to the downturn in the real estate market minimal increase in real estate assessed values due to growth was projected.
- The real estate tax rate of \$.81 per \$100 of assessed value and personal property tax rate of \$4.15.
- It is expected that there will be decreases in funding from the Commonwealth of Virginia in FY 2010 and FY 2011 due to economic conditions state wide and nationally.

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:

Theresa S. Owens, CPA
Director of Finance
500 City Hall Avenue
Poquoson, VA 23662

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Basic Financial Statements

City of Poquoson, Virginia

Statement of Net Assets

June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 4,553,955	\$ 909,853	\$ 5,463,808	\$ 2,981,057
Property taxes receivable - net	425,374	-	425,374	-
Other receivables - net	112,382	375,130	487,512	-
Due from component units	132,911	-	132,911	-
Due from other governments	1,287,854	-	1,287,854	304,433
Inventory	22,489	2,009	24,498	8,536
Prepaid items	-	4,250	4,250	-
Notes receivable	292,279	4,576	296,855	-
Capital assets				
Land and construction-in-process	22,842,389	243,216	23,085,605	-
Other capital assets - net	28,296,939	14,944,434	43,241,373	7,144,320
Capital assets - net	51,139,328	15,187,650	66,326,978	7,144,320
Total assets	\$ 57,966,572	\$ 16,483,468	\$ 74,450,040	\$ 10,438,346
Liabilities				
Accounts payable and accrued liabilities	\$ 1,056,711	\$ 128,098	\$ 1,184,809	\$ 2,641,346
Bank overdraft	41,098	-	41,098	-
Accrued interest	454,622	102,184	556,806	-
Line of credit	-	-	-	1,699,438
Due to primary government	-	-	-	132,911
Noncurrent liabilities				
Due within one year	1,392,672	552,569	1,945,241	76,203
Due in more than one year	31,665,803	9,065,557	40,731,360	282,239
Other post employment benefit obligation	32,381	1,520	33,901	34,881
Total liabilities	34,643,287	9,849,928	44,493,215	4,867,018
Net Assets				
Invested in capital assets - net of related debt	18,654,461	5,595,258	24,249,719	5,444,882
Unrestricted	4,668,824	1,038,282	5,707,106	126,446
Total net assets	23,323,285	6,633,540	29,956,825	5,571,328
	\$ 57,966,572	\$ 16,483,468	\$ 74,450,040	\$ 10,438,346

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

Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets			
	Expenses	Charges For Services	Operating		Governmental Activities	Primary Government		Component Units
			Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total	
Primary Government								
Government activities								
General government and administration	\$ 2,379,573	\$ 274,901	\$ -	\$ -	\$ (2,104,672)	\$ -	\$ (2,104,672)	\$ -
Public safety and judicial	5,844,764	108,456	432,193	-	(5,304,115)	-	(5,304,115)	-
Public works	1,780,286	-	777,212	2,301,130	1,298,056	-	1,298,056	-
Health and welfare	1,162,301	-	255,447	-	(906,854)	-	(906,854)	-
Education	8,364,349	-	-	-	(8,364,349)	-	(8,364,349)	-
Parks, recreation, cultural	1,389,000	55,288	157,367	-	(1,176,345)	-	(1,176,345)	-
Community development	1,272,635	22,741	35,961	572,164	(641,769)	-	(641,769)	-
Nondepartmental	355,445	-	-	-	(355,445)	-	(355,445)	-
Interest and fees on long-term debt	1,263,686	-	-	-	(1,263,686)	-	(1,263,686)	-
Total governmental activities	23,812,039	461,386	1,658,180	2,873,294	(18,819,179)	-	(18,819,179)	-
Business-type activities								
Sewer	1,534,743	1,528,438	-	-	-	(6,305)	(6,305)	-
Parks and recreation	463,662	171,459	-	-	-	(292,203)	(292,203)	-
Solid waste	768,565	586,277	-	-	-	(182,288)	(182,288)	-
Total business-type activities	2,766,970	2,286,174	-	-	-	(480,796)	(480,796)	-
Total primary government	\$ 26,579,009	\$ 2,747,560	\$ 1,658,180	\$ 2,873,294	(18,819,179)	(480,796)	(19,299,975)	-
Component Units								
Poquoson Public Schools	\$ 24,178,254	\$ 493,325	\$ 14,309,474	\$ -	-	-	-	(9,375,455)
Industrial Development Authority	110,585	34,132	-	-	-	-	-	(76,453)
Total component units	\$ 24,288,839	\$ 527,457	\$ 14,309,474	\$ -	-	-	-	(9,451,908)
General Revenues								
Real estate and personal property taxes					17,989,555	-	17,989,555	-
Other local taxes					2,537,554	-	2,537,554	-
Payments from the City of Poquoson					-	-	-	8,276,687
Reimbursements from other agencies not restricted to specific programs					95,694	-	95,694	-
Miscellaneous					99,725	141,797	241,522	449,108
Unrestricted investment earnings					179,671	29,264	208,935	-
Gain (Loss) on disposal of capital assets					-	-	-	63,465
Transfers					30,000	(30,000)	-	-
Total general revenues, transfers and miscellaneous					20,932,199	141,061	21,073,260	8,789,260
Change in net assets					2,113,020	(339,735)	1,773,285	(662,648)
Net assets - beginning of year					21,210,265	6,973,275	28,183,540	6,233,976
Net assets - end of year					\$ 23,323,285	\$ 6,633,540	\$ 29,956,825	\$ 5,571,328

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

City of Poquoson, Virginia

Balance Sheet - Governmental Funds

June 30, 2009

Assets	General	Debt Service	Capital Projects	Grant	Total Governmental Funds
Cash and cash investments	\$ 2,826,313	\$ 148,130	\$ 1,423,145	\$ -	\$ 4,397,588
Property taxes receivable - net	425,374	-	-	-	425,374
Other receivables	83,002	-	-	29,199	112,201
Notes receivable	292,279	-	-	-	292,279
Due from component units	132,911	-	-	-	132,911
Due from other governmental units	1,181,481	-	-	106,373	1,287,854
Total assets	\$ 4,941,360	\$ 148,130	\$ 1,423,145	\$ 135,572	\$ 6,648,207
Liabilities					
Accounts payable and accrued liabilities	\$ 690,062	\$ -	\$ 274,065	\$ 62,397	\$ 1,026,524
Bank overdraft	-	-	-	41,098	41,098
Deferred revenue	296,134	-	-	-	296,134
Total liabilities	986,196	-	274,065	103,495	1,363,756
Fund Balances					
Fund balances					
Reserved for:					
Encumbrances	100,531	-	-	-	100,531
Loans	292,279	-	-	-	292,279
Construction	-	-	826,219	-	826,219
Asset forfeiture	89,261	-	-	-	89,261
Fire department	69,671	-	-	-	69,671
Library	13,861	-	-	-	13,861
Unreserved:					
Designated for grants	-	-	-	32,077	32,077
Undesignated	3,389,561	148,130	322,861	-	3,860,552
Total fund balances	3,955,164	148,130	1,149,080	32,077	5,284,451
Total liabilities and fund balances	\$ 4,941,360	\$ 148,130	\$ 1,423,145	\$ 135,572	\$ 6,648,207

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

Balance Sheet - Governmental Funds

June 30, 2009

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

Total fund balances - governmental funds	\$ 5,284,451
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.	51,127,329
Other long-term assets are not financial resources and, therefore, are deferred in the funds.	296,134
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.	140,230
Other liabilities not paid from current-period revenues are not reported in funds for:	
Accrued interest	(454,622)
Accrued compensated absences	(552,989)
Other post employment benefit obligation	(32,381)
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.	<u>(32,484,867)</u>
Total net assets - governmental activities	<u>\$ 23,323,285</u>

City of Poquoson, Virginia

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

Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Grant	Total Governmental Funds
Revenues					
General property taxes	\$ 16,034,422	\$ -	\$ -	\$ -	\$ 16,034,422
Other local taxes	2,537,554	-	-	-	2,537,554
Permits, privilege fees and regulatory licenses	83,775	-	-	-	83,775
Fines and forfeitures	46,859	-	-	-	46,859
Revenue from use of money and property	179,671	-	44,821	-	224,492
Charges for services	55,909	-	-	-	55,909
Intergovernmental	3,936,526	-	392,000	542,965	4,871,491
Miscellaneous	57,742	-	50	29,199	86,991
Total revenues	22,932,458	-	436,871	572,164	23,941,493
Expenditures					
General government and administration	2,324,651	-	-	-	2,324,651
Public safety and judicial	5,315,901	-	-	12,316	5,328,217
Public works	1,535,411	-	-	-	1,535,411
Health and welfare	1,131,499	-	-	-	1,131,499
Parks, recreation, and cultural	1,167,867	-	-	1,461	1,169,328
Community development	678,051	-	-	558,478	1,236,529
Nondepartmental	134,282	-	-	-	134,282
Education	8,078,598	-	-	-	8,078,598
Industrial Development Authority	51,250	-	-	-	51,250
Capital outlay	-	-	7,042,093	-	7,042,093
Debt service					
Principal retirement	-	1,414,131	-	-	1,414,131
Interest and fiscal charges	-	1,244,582	-	-	1,244,582
Bond issuance costs	-	139,699	42,957	-	182,656
Total expenditures	20,417,510	2,798,412	7,085,050	572,255	30,873,227
Excess (deficiency) of revenues over expenditures	2,514,948	(2,798,412)	(6,648,179)	(91)	(6,931,734)
Other financing sources (uses)					
Transfers in	155,400	2,548,119	-	5,000	2,708,519
Transfers out	(2,653,119)	-	(25,400)	-	(2,678,519)
Issuance of debt					
Refunding bonds issued	-	4,799,620	374,858	-	5,174,478
GO bonds issued	-	-	2,000,000	-	2,000,000
Payment of refunded bonds	-	(4,659,921)	-	-	(4,659,921)
Total other financing sources (uses)	(2,497,719)	2,687,818	2,349,458	5,000	2,544,557
Net change in fund balances	17,229	(110,594)	(4,298,721)	4,909	(4,387,177)
Fund balances - July 1, 2008	3,937,935	258,724	5,447,801	27,168	9,671,628
Fund balances - June 30, 2009	\$ 3,955,164	\$ 148,130	\$ 1,149,080	\$ 32,077	\$ 5,284,451

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, 2009

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

Net change in fund balances - total governmental funds **\$ (4,387,177)**

Amount 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. 31,702

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 outlay	6,665,108
Depreciation expense	(1,184,843)
Loss on sale of assets	102,999
Donated assets	1,909,130

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.

Debt issued	(7,174,478)
Deferred refunding charge (net)	82,201
Repayment of debt principal	6,074,052
Other post employment benefits liability	(32,381)

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	38,394
Compensated absences	(24,421)

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. 12,734

Change in net assets - governmental activities **\$ 2,113,020**

City of Poquoson, Virginia

Statement of Net Assets - Proprietary Funds

June 30, 2009

Assets	Business-Type Activities Proprietary Funds			Total	Governmental Activities - Internal Service Funds
	Sewer Operation	Parks and Recreation	Solid Waste		
Current assets					
Cash and investments	\$ 780,029	\$ 30,274	\$ 99,550	\$ 909,853	\$ 156,367
Accounts receivable	265,454	-	109,676	375,130	181
Note receivable	4,576	-	-	4,576	-
Inventory	-	-	2,009	2,009	22,489
Prepaid expenses	-	4,250	-	4,250	-
Total current assets	1,050,059	34,524	211,235	1,295,818	179,037
Noncurrent assets					
Capital assets					
Land	214,666	28,550	-	243,216	-
Buildings	-	254,179	9,943	264,122	41,742
Sewer system	21,719,766	-	-	21,719,766	-
Equipment	476,424	152,756	314,713	943,893	31,887
Less - accumulated depreciation	(7,480,726)	(304,609)	(198,012)	(7,983,347)	(61,630)
Total capital assets (net of accumulated depreciation)	14,930,130	130,876	126,644	15,187,650	11,999
Total noncurrent assets	14,930,130	130,876	126,644	15,187,650	11,999
	\$ 15,980,189	\$ 165,400	\$ 337,879	\$ 16,483,468	\$ 191,036
Liabilities					
Current liabilities					
Vouchers and accounts payable	\$ 14,518	\$ 52,994	\$ 37,615	\$ 105,127	\$ 14,073
Accrued payroll	8,939	11,374	2,658	22,971	16,114
Accrued interest	102,184	-	-	102,184	-
Compensated absences	14,584	8,650	2,500	25,734	20,619
Bonds payable - current portion	526,835	-	-	526,835	-
Total current liabilities	667,060	73,018	42,773	782,851	50,806
Noncurrent liabilities					
Bonds payable - less current portion	9,065,557	-	-	9,065,557	-
Other post employment benefit obligation	911	295	314	1,520	-
Total noncurrent liabilities	9,066,468	295	314	9,067,077	-
Total liabilities	9,733,528	73,313	43,087	9,849,928	50,806
Net Assets					
Invested in capital assets - net of related debt	5,337,738	130,876	126,644	5,595,258	11,999
Unrestricted	908,923	(38,789)	168,148	1,038,282	128,231
Total net assets	6,246,661	92,087	294,792	6,633,540	140,230
Total liabilities and net assets	\$ 15,980,189	\$ 165,400	\$ 337,879	\$ 16,483,468	\$ 191,036

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, 2009

	Proprietary Fund Types			Total	Governmental
	Sewer Operation	Parks and Recreation	Solid Waste		Activities - Internal Service Funds
Operating revenues					
Charges for services	\$ 1,438,438	\$ 171,459	\$ 586,277	\$ 2,196,174	\$ 677,711
Festivals	-	138,152	-	138,152	-
Miscellaneous	20	3,625	-	3,645	-
Total operating revenues	1,438,458	313,236	586,277	2,337,971	677,711
Operating expenses					
Personnel services	234,043	159,624	87,128	480,795	278,309
Contractual services	73,300	247,260	5,527	326,087	34,116
Materials and supplies	30,855	14,372	35,060	80,287	336,844
Utilities	70,317	9,734	87	80,138	3,766
Depreciation and amortization	640,709	17,125	30,504	688,338	3,297
Other charges	69,779	15,547	171,851	257,177	8,645
Waste disposal	-	-	438,408	438,408	-
Total operating expenses	1,119,003	463,662	768,565	2,351,230	664,977
Operating income (loss)	319,455	(150,426)	(182,288)	(13,259)	12,734
Nonoperating revenues (expenses)					
Interest income	29,264	-	-	29,264	-
Interest and fiscal charges	(415,740)	-	-	(415,740)	-
Sewer availability fees	90,000	-	-	90,000	-
Net nonoperating revenues (expenses)	(296,476)	-	-	(296,476)	-
Income (loss) before transfers	22,979	(150,426)	(182,288)	(309,735)	12,734
Transfers					
Transfers in	-	100,000	-	100,000	-
Transfers out	(130,000)	-	-	(130,000)	-
Net transfers	(130,000)	100,000	-	(30,000)	-
Change in net assets	(107,021)	(50,426)	(182,288)	(339,735)	12,734
Net assets - July 1, 2008	6,353,682	142,513	477,080	6,973,275	127,496
Net assets - June 30, 2009	\$ 6,246,661	\$ 92,087	\$ 294,792	\$ 6,633,540	\$ 140,230

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, 2009

	Proprietary Fund Types				Internal Service Fund
	Sewer Operation	Parks and Recreation	Solid Waste	Total	
Cash flows from operating activities					
Received from customers and users	\$ 1,443,444	\$ 313,236	\$ 585,346	\$ 2,342,026	\$ 677,796
Payments to suppliers for goods and services	(240,419)	(277,046)	(646,862)	(1,164,327)	(371,717)
Payments to employees	(231,793)	(157,713)	(86,013)	(475,519)	(270,195)
Net cash provided by (used in) operating activities	971,232	(121,523)	(147,529)	702,180	35,884
Cash flows from noncapital financing activities					
Transfers to other funds	(130,000)	-	-	(130,000)	-
Transfers from other funds	-	100,000	-	100,000	-
Net cash provided by (used in) noncapital financing activities	(130,000)	100,000	-	(30,000)	-
Cash flows from capital and related financing activities					
Principal paid on capital debt	(2,996,756)	-	-	(2,996,756)	-
Proceeds from capital debt	2,289,793	-	-	2,289,793	-
Sewer availability fees	90,000	-	-	90,000	-
Interest paid on capital debt	(444,816)	-	-	(444,816)	-
Acquisition and construction of capital assets	(33,231)	-	-	(33,231)	-
Net cash provided by (used in) capital and related financing activities	(1,095,010)	-	-	(1,095,010)	-
Cash flows from investing activities					
Interest received	29,264	-	-	29,264	-
Net increase (decrease) in cash and investments	(224,514)	(21,523)	(147,529)	(393,566)	35,884
Cash and investments - beginning of year	1,004,583	51,797	247,079	1,303,459	120,483
Cash and investments - end of year	\$ 780,069	\$ 30,274	\$ 99,550	\$ 909,893	\$ 156,367
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 319,455	\$ (150,426)	\$ (182,288)	\$ (13,259)	\$ 12,734
Adjustments					
Depreciation and amortization	640,709	17,125	30,504	688,338	3,297
Changes in assets and liabilities					
Receivables - net	4,986	-	(931)	4,055	85
Inventories	-	-	2,179	2,179	12,393
Prepaid items	-	11,150	-	11,150	-
Vouchers and accounts payable	3,832	(1,283)	1,892	4,441	(739)
Accrued compensated absences	1,373	240	976	2,589	-
Other post-employment benefits liability	911	295	314	1,520	-
Accrued payroll	(34)	1,376	(175)	1,167	8,114
Net cash provided by (used in) operating activities	\$ 971,232	\$ (121,523)	\$ (147,529)	\$ 702,180	\$ 35,884

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

*City of Poquoson, Virginia**Statement of Fiduciary Assets and Liabilities*

June 30, 2009

	Assets	<u>Library Agency Fund</u>
Cash and cash equivalents		<u>\$ 38,006</u>
	Liabilities	
Amounts held in trust for library building		<u>\$ 38,006</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, 2009

Assets	Poquoson Public Schools	Industrial Development Authority	Total
Cash and cash equivalents	\$ 2,892,571	\$ 88,486	\$ 2,981,057
Due from other governments	304,433	-	304,433
Inventory	8,536	-	8,536
Capital assets - net	3,949,040	3,195,280	7,144,320
Total assets	\$ 7,154,580	\$ 3,283,766	\$ 10,438,346
Liabilities			
Vouchers and accounts payable	\$ 2,641,296	\$ 50	\$ 2,641,346
Line of credit	-	1,699,438	1,699,438
Compensated absences - current	76,203	-	76,203
Due to primary government	132,911	-	132,911
Compensated absences - noncurrent	282,239	-	282,239
Other post-employment benefit obligation	34,881	-	34,881
Total liabilities	3,167,530	1,699,488	4,867,018
Net Assets			
Invested in capital assets	3,949,040	1,495,842	5,444,882
Unrestricted	38,010	88,436	126,446
Total net assets	3,987,050	1,584,278	5,571,328
Total liabilities and net assets	\$ 7,154,580	\$ 3,283,766	\$ 10,438,346

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, 2009

	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Poquoson	Industrial	Totals
					Public Schools	Development Authority	
Poquoson Public Schools							
Education	\$ 24,178,254	\$ 493,325	\$ 14,309,474	\$ -	\$(9,375,455)	\$ -	\$(9,375,455)
Industrial Development Authority							
Economic Development	110,585	34,132	-	-	-	(76,453)	(76,453)
Total component units	\$ 24,288,839	\$ 527,457	\$ 14,309,474	\$ -	(9,375,455)	(76,453)	(9,451,908)

General revenues

City of Poquoson	8,225,437	51,250	8,276,687
Miscellaneous revenues	449,108	-	449,108
Gain (loss) on disposal of capital assets	(34,251)	97,716	63,465
Total general revenues	8,640,294	148,966	8,789,260
Change in net assets	(735,161)	72,513	(662,648)
Net assets - beginning of year	4,722,211	1,511,765	6,233,976
Net assets - end of year	\$ 3,987,050	\$ 1,584,278	\$ 5,571,328

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

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Notes to Basic Financial Statements

City of Poquoson, Virginia

Notes to Basic Financial Statements

June 30, 2009

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:

Financial 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. The School Board does not issue separate financial statements.

The Industrial Development Authority is a legally separate 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. The IDA does not issue separate financial statements.

The entities described in Note 15, Related-Party Transactions, are excluded from the City's Comprehensive Annual Financial Report, as the City does not have financial accountability over their activities.

1. Summary of Significant Accounting Policies (continued)

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.

1. Summary of Significant Accounting Policies *(continued)*

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 and accounted for in the Facilities Improvement Fund...

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:

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.

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.

1. **Summary of Significant Accounting Policies** *(continued)*

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.

1. Summary of Significant Accounting Policies *(continued)*

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, 2009, for an increase in appropriations in the amount of \$766,036 and \$793,300 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 statements of cash flows for all proprietary fund types the City considers all highly liquid investments, 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 million in retroactive infrastructure capitalized at June 30, 2009, using current replacement costs for a similar asset and deflated this cost through the use of price indices to the acquisition year.

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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, 2009, 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.

1. **Summary of Significant Accounting Policies** *(continued)*

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.

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 3.05% 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 City's deposits with banks and savings institutions was \$4,023,844 including agency fund cash of \$440,993. All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

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" 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, 2009, 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 \$2,824,064 and the bank balance was \$3,766,118. The bank balance was covered by Federal Depository Insurance Corporation or collateralized in accordance with the Act. At June 30, 2009, 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, 2009, the City had \$470,298 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.

2. Deposits and Investments *(continued)*

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.

2. Deposits and Investments *(continued)*

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have 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, 2009, 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.

2. Deposits and Investments *(continued)*

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	\$ 397,654	\$ 397,654	\$ -
Money market funds - Scott & Stringfellow	454,666	454,666	-
Money market funds - RBC Dain Rauscher	213,697	213,697	-
Virginia SNAP Accounts	470,298	-	470,298
Total investments	1,536,315	\$ 1,066,017	\$ 470,298
Reconciliation to total cash and investments			
Add:			
Cash on hand and in banks	7,349,543		
Total cash and investments	\$ 8,885,858		

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.

	General	Business- Type Activities	Total
Real estate taxes	\$ 327,654	\$ -	\$ 327,654
Personal property taxes	402,720	-	402,720
Accounts receivable	112,382	375,130	487,512
	842,756	375,130	1,217,886
Less - allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables - net	\$ 537,756	\$ 375,130	\$ 912,886

4. Notes Receivable

A \$100,000 note receivable in the General Fund represents a deed of trust note to a business for relocation expenses. As an incentive to move to the City, the City advanced the business moving expenses. The \$100,000 note bears interest at 6%. Beginning December 1, 2008, one-fifth of the principal balance and accrued interest will be forgiven each year once the business meets various conditions outlined in the agreement. Failure to meet the conditions shall be considered a default under this agreement.

A \$192,279 note receivable in the General Fund represents a deed of trust note to an individual for the Poquoson Historical and Cultural Museum Foundation. The \$192,279 note bears interest at 7.25%. Beginning June 1, 2004, interest only is due and payable each June 1 and December 1 thereafter. In all events the accrued interest and unpaid principal is due in full on December 31, 2008. The City purchased the note from the individual when the note became due. The new terms of the note are in negotiation at June 30, 2009.

5. Due From Other Governments

Due from other governments consists of the following:

Primary Government

<u>Commonwealth of Virginia</u>	General Fund
Comprehensive Services Act	\$ 70,653
Sales tax	42,656
Division of Motor Vehicles reimbursement	12,474
Compensation Board	18,943
Registrar	48,620
Communications Sales and Use tax	32,628
VOPEX Grant	19,269
Miscellaneous State Grants	18,253
PPTRA	884,118
Total due from the Commonwealth of Virginia	1,147,614
 <u>Federal Government</u>	
Citizen Corp 2006 & 2007	18,450
DUI Grants - Selective Enforcement	5,767
FEMA Emergency Response Plan	24,623
HMGP Grant	1,450
CDBG	89,950
Total due from the federal government	140,240
Total due from other governments	\$ 1,287,854

Component Unit - School Board

<u>Commonwealth of Virginia</u>	
State sales tax	\$ 142,748
State technology reimbursement	18,318
Total due from the Commonwealth of Virginia	161,066
 <u>Federal Government</u>	
Department of Education Program	
Title II	14,487
Title IV	2,473
Title VI-B	99,229
Various grants	27,178
Total due from the federal government	143,367
Total due from the other governments	\$ 304,433

6. Receivables and Payables – Component Units

Details of the receivables and payables between the primary government and component units at June 30, 2009, are as follows:

Primary Government Receivable	Component Unit Payable	Amount
Due from School Board	Due to Primary Government	<u>\$ 132,911</u>

7. Capital Assets

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	\$ 2,890,479	\$ 8,500	\$ -	\$ 2,898,979
Construction-in-process	18,615,597	4,552,998	3,225,185	19,943,410
Total capital assets not being depreciated	21,506,076	4,561,498	3,225,185	22,842,389
Other capital assets				
Buildings	6,656,181	3,117,086	320,524	9,452,743
Infrastructure	36,005,587	1,909,130	-	37,914,717
Land improvements	2,527,674	14,909	-	2,542,583
Machinery and equipment	6,001,070	270,800	103,756	6,168,114
Total other capital assets	51,190,512	5,311,925	424,280	56,078,157
Less - accumulated depreciation				
Buildings	2,327,155	239,910	218,897	2,348,168
Infrastructure	31,413,635	67,036	-	31,480,671
Land improvements	389,572	179,658	-	569,230
Machinery and equipment	2,842,123	412,488	102,384	3,152,227
Total accumulated depreciation	36,972,485	899,092	321,281	37,550,296
Other capital assets - net	14,218,027	4,412,833	102,999	18,527,861
	35,724,103	8,974,331	3,328,184	41,370,250
Allocation of School Board Assets				
Buildings	10,685,346	2,128,701	-	12,814,047
Less - accumulated depreciation				
Buildings	2,759,218	(285,751)	-	3,044,969
Total allocated to City	7,926,128	1,842,950	-	9,769,078
Total	<u>\$ 43,650,231</u>	<u>\$ 10,817,281</u>	<u>\$ 3,328,184</u>	<u>\$ 51,139,328</u>

7. **Capital Assets** *(continued)*

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 27,865
Public Safety	342,237
Public Works	243,888
Health and Welfare	14,675
Parks, Recreation, and Cultural	218,964
Judicial Administration	47,720
Community Development	3,743
Education	285,751
	<u>\$ 1,184,843</u>

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	\$ 243,216	\$ -	\$ -	\$ 243,216
Other capital assets				
Buildings	264,122	-	-	264,122
Machinery and equipment	943,892	-	-	943,892
Sewer system	21,638,904	-	-	21,638,904
Sewer easement	7,000	-	-	7,000
Intangible	48,692	33,231	8,061	73,862
Total other capital assets	<u>22,902,610</u>	<u>33,231</u>	<u>8,061</u>	<u>22,927,780</u>
Less - accumulated depreciation				
Buildings	253,383	3,111	-	256,494
Machinery and equipment	571,635	62,546	-	634,181
Sewer system	6,453,957	616,809	-	7,070,766
Intangible	24,095	5,871	8,061	21,905
Total accumulated depreciation	<u>7,303,070</u>	<u>688,337</u>	<u>8,061</u>	<u>7,983,346</u>
Other capital assets - net	<u>15,599,540</u>	<u>(655,106)</u>	<u>-</u>	<u>14,944,434</u>
Total	<u>\$ 15,842,756</u>	<u>\$ (655,106)</u>	<u>\$ -</u>	<u>\$ 15,187,650</u>

7. **Capital Assets** (continued)

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Other capital assets				
Buildings	18,610,127	1,943,398	565,397	19,988,128
Machinery and equipment	2,038,833	86,976	10,345	2,115,464
Total other capital assets	20,648,960	2,030,374	575,742	22,103,592
Less - accumulated depreciation				
Buildings	7,195,543	467,437	535,111	7,127,869
Machinery and equipment	1,617,017	103,868	12,404	1,708,481
Total accumulated depreciation	8,812,560	571,305	547,515	8,836,350
Other capital assets - net	11,836,400	1,459,069	28,227	13,267,242
	12,287,276	1,459,069	28,227	13,718,118
Allocation to City				
Buildings	(10,685,346)	(2,128,701)	-	(12,814,047)
Less - accumulated depreciation	2,759,218	285,751	-	3,044,969
Total allocated to City	(7,926,128)	(1,842,950)	-	(9,769,078)
Total	<u>\$ 4,361,148</u>	<u>\$ (383,881)</u>	<u>\$ 28,227</u>	<u>\$ 3,949,040</u>

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	\$ 2,433,541	\$ -	\$ 75,854	\$ 2,357,687
Other capital assets				
Buildings	748,590	-	49,700	698,890
Infrastructure	315,273	-	-	315,273
Total other capital assets	1,063,863	-	49,700	1,014,163
Less - accumulated depreciation				
Buildings	72,204	35,497	17,117	90,584
Infrastructure	71,655	14,331	-	85,986
Total accumulated depreciation	143,859	49,828	17,117	176,570
Other capital assets - net	920,004	49,828	32,583	837,593
Total	<u>\$ 3,353,545</u>	<u>\$ 49,828</u>	<u>\$ 108,437</u>	<u>\$ 3,195,280</u>

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:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
General obligations					
Debts payable					
General obligation bonds	\$ 27,460,783	\$ 7,174,478	\$ 5,082,583	\$ 29,552,678	\$ 883,700
General obligation leases	978,046	-	589,469	388,577	72,382
State Literary Fund loans	3,165,820	-	402,000	2,763,820	402,000
Less refunding costs	(122,711)	(120,128)	(22,631)	(220,208)	-
	<u>31,481,938</u>	<u>7,054,350</u>	<u>6,051,421</u>	<u>32,484,867</u>	<u>1,358,082</u>
Accrued benefits					
Accrued compensated absences	549,187	772,527	748,106	573,608	34,590
Total	<u>\$ 32,031,125</u>	<u>\$ 7,826,877</u>	<u>\$ 6,799,527</u>	<u>\$ 33,058,475</u>	<u>\$ 1,392,672</u>
Component Unit - School Board					
Accrued benefits					
Accrued compensated absences	\$ 122,134	\$ 760,086	\$ 523,778	\$ 358,442	\$ 76,203

8. **Long-Term Obligations** *(continued)*

Governmental Activities *(continued)*

Outstanding general obligation bonds of the City's governmental activities are comprised of the following:

<i>School Serial Bonds of 1989</i> - \$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%.	\$ 65,000
<i>High School Serial Bonds of 1998</i> - \$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%.	300,000
<i>General Obligation Refunding Note Series 2002</i> - \$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%.	2,420,000
<i>General Obligation Bonds, Series 2005</i> - \$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%.	4,812,000
<i>General Obligation Public Bonds, Series 2006B</i> - \$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%.	6,826,200
<i>General Obligation Public Bonds, Series 2007</i> - \$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%.	7,955,000
<i>General Obligation Refunding Bonds, Series 2009A</i> - \$2,806,067 bonds issued and due in annual installments varying from \$10,000 to \$284,330 through February 2029, with interest payable semi-annually at 4.5%.	2,806,067
<i>General Obligation Refunding Bonds, Series 2009B</i> - \$1,975,156 bonds issued and due in annual installments varying from \$20,000 to \$180,027 through February 2021, with interest payable semi-annually at 3.65%.	1,975,156
<i>General Obligation Refunding Taxable Bonds, Series 2009C</i> - \$393,255 bonds issued and due in annual installments varying from \$11,874 to \$80,000 through February 2021, with interest payable semi-annually at 5.75%.	393,255
<i>General Obligation Bonds, Series 2008</i> - \$2,000,000 bonds issued and due in annual installments varying from \$168,000 to \$235,000 through August 2018, with interest payable semi-annually at 3.75%.	2,000,000
Total general obligation bonds	<u>\$ 29,552,678</u>

8. **Long-Term Obligations** *(continued)*

Governmental Activities *(continued)*

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>
2010	\$ 883,700	\$ 1,102,700
2011	991,100	1,120,836
2012	1,238,545	1,082,892
2013	1,297,115	1,034,651
2014	1,353,665	983,445
2015 - 2019	8,310,968	3,978,299
2020 - 2024	9,146,813	2,204,278
2025 - 2029	6,330,772	479,116
	<u>\$ 29,552,678</u>	<u>\$ 11,986,217</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, 2009, at a cost of \$708,522. At June 30, 2009, accumulated depreciation under this lease totaled \$99,192. The balance of this lease as of June 30, 2009, was \$388,577. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2010	\$ 86,299
2011	86,299
2012	86,299
2013	86,299
2014	<u>86,097</u>
Total minimum lease payments	431,293
Less - imputed interest	<u>(42,716)</u>
	388,577
Less - current portion	<u>72,382</u>
Long-term portion	<u>\$ 316,195</u>

8. **Long-Term Obligations** *(continued)*

Current Refunding

In April 2009, the City of Poquoson issued \$5,174,478 of general obligation refunding bonds to currently refund \$4,204,254 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 \$150,099. 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 current refunding resulted in an economic gain of \$200,206.

Outstanding literary loan funds of the Primary Governmental activities are comprised of the following issues:

<i>Primary School Literary Fund Loan</i> - \$2,500,000 loan issued September 15, 1989, due in annual installments of \$125,000 through August 2010, with interest at 3%.	\$	125,000
<i>Primary School Literary Fund Loan</i> - \$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%.		138,820
<i>High School Literary Fund Loan</i> - \$5,000,000 loan issued November 17, 1998, due in annual installments of \$250,000 through December 2019, with interest at 3%.		2,500,000
Total state literary fund loans outstanding	\$	2,763,820

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>
2010	\$ 402,000	\$ 82,911
2011	277,000	70,855
2012	277,000	62,545
2013	277,000	54,235
2014	280,820	45,925
2015-2019	1,250,000	112,500
	\$ 2,763,820	\$ 428,971

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 10% of total assessed value of real property. As of June 30, 2009, the City's aggregate general obligation indebtedness, excluding proprietary fund debt, was \$127,377,569 less than the allowable limit.

8. **Long-Term Obligations** (continued)

Overlapping Debt

There are no overlapping or underlying tax jurisdictions.

Following is a summary of debt transactions of the enterprise funds:

Enterprise Funds	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
General obligation bonds	\$ 10,508,638	\$ 2,289,793	\$ (3,001,524)	\$ 9,796,907	\$ 526,835
Less refunding costs	(214,821)	(29,971)	36,019	(208,773)	-
Bond premium	5,577	-	(1,319)	4,258	-
	10,299,394	2,259,822	(2,966,824)	9,592,392	526,835
Accrued compensated absences	23,145	34,091	(31,502)	25,734	25,734
	\$ 10,322,539	\$ 2,293,913	\$ (2,998,326)	\$ 9,618,126	\$ 552,569

General long-term obligations and notes payable are comprised of the following:

<i>General Obligation Sewer Bonds, Series 2000B (May 2000)</i> - \$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%.	\$ 1,783,228
<i>General Obligation Sewer Bonds, Series 2000A (May 2000)</i> - \$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%.	4,908,886
<i>General Obligation Sewer Bonds, Series 2002</i> - \$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%.	815,000
<i>General Obligation Sewer system Refunding Bonds Series 2009B (April 2009)</i> - \$2,289,793 bonds issued and due in annual installments varying from \$170,000 to \$299,871 through February 2021, with interest payable semi-annually at a rate of 3.65%.	2,289,793
Less refunding costs	9,796,907
Bond premium	(208,773)
Total general obligation bonds outstanding	\$ 9,592,392

8. Long-Term Obligations (continued)

Overlapping Debt (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 526,835	\$ 333,062
2011	548,847	334,868
2012	566,460	315,143
2013	836,428	294,733
2014	858,107	264,045
2015-2019	4,714,537	819,045
2020-2022	1,745,693	86,929
	<u>\$ 9,796,907</u>	<u>\$ 2,447,825</u>

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.

9. 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, 2010, and bears interest at 30-day LIBOR plus 1.25% and is unsecured. Short-term activity was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2009</u>
Line of credit	\$ 1,904,591	\$ -	\$ 205,153	\$ 1,699,438

10. 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, 2009, \$22,620,170 remained outstanding.

11. Deferred Revenue

Deferred revenue for the primary government at June 30, 2009, consists of real and personal property taxes not collected within 45 days after June 30, 2009.

12. 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.

13. Interfund Transfers

Interfund transfers for the year ended June 30, 2009 are as follows:

	Transfers In	Transfers Out
General Fund	\$ 155,400	\$ 2,653,119
Debt Service Fund	2,548,119	-
Capital Projects Fund	-	25,400
Parks and Recreation Fund	100,000	-
Grant Fund	5,000	-
Sewer Operations Fund	-	130,000
	<u>\$ 2,808,519</u>	<u>\$ 2,808,519</u>

Purpose:

Transfers from General Fund:

\$ 2,548,119 Debt Service Fund: current year debt payments.

\$ 100,000 Parks and Recreation Fund: fund deficit in special events and pool dome.

\$ 5,000 Grant Fund: local funding required for elevation project costs.

Transfers from Sewer Operations Fund:

\$ 130,000 General Fund: allocate administration costs paid out of General Fund for sewer services.

Transfers from Capital Projects Fund:

\$ 25,400 General Fund: cost of project construction manager.

14. 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, 2009:

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - All City employees - employee dishonesty blanket bond Forest T. Jones & Company, Inc.	\$ 500,000
Doris Feltman, Clerk of the School Board	\$ 10,000
Linda Reviea, 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 2.2-1840 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

15. 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 Council Workforce Development (PCWD), the Colonial Services Board (CSB) and the Hampton Roads Partnership (HRPC). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2009, the City provided support or paid for services to HRPDC of \$27,663, VPPSA of \$266,516, PCWD of \$5,847, CSB of \$137,343 and HRPC 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 2009, the City incurred expenses for the regional jail and juvenile detention center of \$116,234 and \$28,512, 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.

15. Related-Party Transactions (continued)

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 and E911 operations. The City also shares social services with York County. During the year ended June 30, 2009, the City paid \$880,951 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, 2009, the School Board provided support of \$654,032 to the New Horizons Education Center.

16. 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, Virginia 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, 2009, was 8.23% and 11.84%, 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 2009, 2008 and 2007 and were \$1,722,715, \$1,815,249, and \$1,674,507, respectively. The School Board contributed 100% of required contributions to the pool for fiscal year ended 2009 and each of the two preceding years.

16. **Retirement Plan** *(continued)*

C. Annual Pension Costs

For fiscal years 2009, 2008, and 2007, the City and School Board's annual pension costs of \$731,860, \$821,473 and \$724,473, respectively, and \$101,149, \$77,362, and \$79,715, 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, 2007, actuarial valuation using the entry age normal actuarial cost method. The contribution rate set by the June 30, 2008, valuation was in effect from July 1, 2008 through June 30, 2010. 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, 2008. Actuarial assumptions used include an investment rate of return of 7.50%.

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 actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry age Normal
Amortization method	Level percent, open
Payroll growth rate	3.00%
Remaining amortization period	20 years
Asset valuation method	5-year smoothed 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%

D. Funded Status

As of June 30, 2008 for the City, the most recent actuarial valuation date, the plan was 93.21% funded. The actuarial accrued liability for benefits was \$20,091,047, and the actuarial value of assets was \$18,726,503, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,364,544. The covered payroll (annual payroll of active employees covered by the plan) was \$5,424,958, and the ratio of the UAAL to the covered payroll was 25.15%.

As of June 30, 2008 for the School Board, the most recent actuarial valuation date, the plan was 74.89% funded. The actuarial accrued liability for benefits was \$1,975,378, and the actuarial value of assets was \$1,479,453, resulting in an unfunded actuarial accrued liability (UAAL) of \$495,924. The covered payroll (annual payroll of active employees covered by the plan) was \$619,656, and the ratio of the UAAL to the covered payroll was 80.03%.

17. Other Post Employment Benefit Obligation (OPEB)

Plan Description

The City and School Board administer a single-employer defined benefit post-employment health care plan that cover all current retirees and covered dependents and will provide coverage for all future retirees and their covered dependents. Employees who are eligible for the health plan under normal retirement must have a combination of age (minimum 50 years) and years of service (minimum of 5 years) equal to 70. During the year, 102 employees were participating in the City’s plan at a cost of \$54,302 and 168 employees were participating in the School Board’s plan at a cost of \$70,732. Separate stand-alone statements are not issued for this plan.

Funding Policy

The City Council and the School Board have the authority to establish and amend the funding policy of their respective plans. The employer’s contribution ranges from 0% - 100% of the premiums based on the retiree’s years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed based on a pay-as-you-go basis. During the fiscal year ending 2009, the City contributed \$20,401 and the School Board contributed \$35,851.

Annual OPEB Cost and Net OPEB Obligation

The City’s and the School’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s and the School’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

	City of Poquoson	Component Unit School Board
Annual required contribution	\$ 54,302	\$ 70,732
Interest on net OPEB obligation	-	-
Adjustment to ARC	-	-
Annual OPEB cost	54,302	70,732
Contributions made	(20,401)	(35,851)
Increase in net OPEB obligation	33,901	34,881
Net OPEB obligation - beginning of year	-	-
NET OPEB obligation - end of year	<u>\$ 33,901</u>	<u>\$ 34,881</u>

17. **Other Post Employment Benefit Obligation** *(continued)*

Annual OPEB Cost and Net OPEB Obligation *(continued)*

The City's and the School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

City of Poquoson

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 54,302	\$ (20,401)	38%	\$ 33,901

Component Unit - School Board

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 70,732	\$ (35,851)	51%	\$ 34,881

Funded Status and Funding Progress

Based on the most recent actuarial valuation for the fiscal year ended July 1, 2008, the funded status of the plan was as follows:

	City of Poquoson	Component Unit School Board
Actuarial accrued liability (AAL)	\$ 544,329	\$ 611,610
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 544,329	\$ 611,610
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 5,480,141	\$ 12,401,361
UAAL as a percentage of covered payroll	9.93%	4.93%

17. Other Post Employment Benefit Obligation (continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2008 actuarial valuation was conducted using assumptions consistent with those used to value the pension benefits of the Virginia Retirement System (VRS), which provides pension benefits to retirees of the City and the School System. These assumptions include rates of inflation, mortality, termination, disability and retirement and are based on the VRS July 1, 2007 pension valuation. Assumptions for the VRS State plan are used to value City OPEB benefits. Costs were determined using the Projected Unit Credit Actuarial Cost Method. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 11% for 2009 to an ultimate rate of 5% for the 2017 fiscal year.

Schedule of Funding Progress

City of Poquoson

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2008	\$ -	\$ 544,329	\$ 544,329	0%	\$ 5,480,141	9.93%

Component Unit - School Board

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2008	\$ -	\$ 611,610	\$ 611,610	0%	\$ 12,401,361	4.93%

18. 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 14. 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 from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three years.

- 19.** The City entered into a contract for the construction of a new elementary school. The contract totals \$17,805,101 with \$227,797 outstanding at June 30, 2009.

* * * * *

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources				
Revenue from local sources				
General property taxes				
Real property taxes	\$ 13,331,000	\$ 13,331,000	\$ 13,451,653	\$ 120,653
Public service corporation property taxes	126,000	126,000	109,197	(16,803)
Personal property	2,440,000	2,440,000	2,335,554	(104,446)
Penalties and interest	104,000	104,000	138,018	34,018
Total general property taxes	16,001,000	16,001,000	16,034,422	33,422
Other local taxes				
Sales and use taxes	935,000	935,000	929,900	(5,100)
Meals taxes	475,000	475,000	541,727	66,727
Cigarette taxes	75,000	75,000	60,372	(14,628)
Consumers' utility taxes	275,000	275,000	285,776	10,776
Consumption tax	39,500	39,500	38,931	(569)
Business license taxes	425,000	425,000	433,721	8,721
Bank stock taxes	28,000	28,000	26,497	(1,503)
Recordation and wills taxes	250,000	250,000	198,064	(51,936)
Deeds of conveyance	35,000	35,000	22,566	(12,434)
Total other local taxes	2,537,500	2,537,500	2,537,554	54
Permits, privilege fees and regulatory licenses				
Animal license	2,500	2,500	3,930	1,430
Permits and other licenses	126,400	126,400	79,845	(46,555)
Total permits, privilege fees and regulatory licenses	128,900	128,900	83,775	(45,125)
Fines and forfeitures	39,000	39,000	46,859	7,859
Revenue from use of money and property				
Revenue from use of money	120,000	120,000	56,004	(63,996)
Revenue from use of property	66,300	66,300	123,667	57,367
Total revenue from use of money and property	186,300	186,300	179,671	(6,629)

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources (continued)				
Charges for services				
Charges for sales of maps	-	-	413	413
Charges for copying	4,000	4,000	3,760	(240)
Charges for passport processing	30,000	30,000	25,270	(4,730)
Charges for library and fees	24,000	24,000	26,466	2,466
Total charges for services	58,000	58,000	55,909	(2,091)
Miscellaneous revenue				
Miscellaneous	2,600	2,600	15,172	12,572
Insurance recoveries	-	6,500	9,515	3,015
Donations-library	-	18,005	18,005	-
Donations-volunteer fire and rescue	-	1,000	1,000	-
Gain on sale of capital assets	-	-	4,200	4,200
Donations	-	-	9,850	9,850
Total miscellaneous revenue	2,600	28,105	57,742	29,637
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
DMV reimbursement	125,000	125,000	120,150	(4,850)
Local Aid Contra Revenue	-	-	(41,169)	(41,169)
Mobile home titling taxes	2,000	2,000	1,073	(927)
Rolling stock tax	-	-	11	11
Personal property tax relief	1,923,430	1,923,430	1,923,431	1
Total noncategorical aid	2,050,430	2,050,430	2,003,496	(46,934)
Categorical aid				
Shared expenses				
Commissioner of the Revenue	117,700	117,700	119,151	1,451
Treasurer	102,086	102,086	102,277	191
Registrar/electoral board	53,070	57,923	53,473	(4,450)
Total categorical aid	272,856	277,709	274,901	(2,808)

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources (continued)				
Other categorical aid				
State 599 police funds	277,263	277,263	267,853	(9,410)
Fire and EMS	36,500	40,759	44,183	3,424
Department of Emergency Services	2,000	2,000	2,000	-
Street and highway maintenance	690,000	690,000	777,212	87,212
Litter control	6,000	6,000	6,337	337
Library	143,000	143,000	151,562	8,562
Wireless E911 PSAP	-	-	12,938	12,938
Comprehensive services	288,500	288,500	255,447	(33,053)
State drug seizure	-	7,384	8,902	1,518
Other state grants	-	24,253	38,243	13,990
Total other categorical aid	1,443,263	1,479,159	1,564,677	85,518
Total categorical aid	1,716,119	1,756,868	1,839,578	82,710
Total revenue from the Commonwealth	3,766,549	3,807,298	3,843,074	35,776
Revenue from the federal government				
Miscellaneous	34,500	99,401	93,452	(5,949)
Total revenue from the federal government	34,500	99,401	93,452	(5,949)
Other financing sources				
Transfer from component unit - School Board	341,811	341,811	-	(341,811)
Transfer from capital projects fund	101,600	101,600	25,400	(76,200)
Transfer from sewer fund	130,000	130,000	130,000	-
Transfer from unappropriated fund	239,246	874,127	-	(874,127)
Total other financing uses	812,657	1,447,538	155,400	(1,292,138)
Total revenue and other financing sources	\$ 23,567,006	\$ 24,333,042	\$ 23,087,858	\$ (1,245,184)

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Expenditures and other financing uses				
General government administration				
Legislative - City Council	\$ 70,200	\$ 72,700	\$ 71,783	\$ 917
General and financial administration				
City Manager	479,460	439,960	436,756	3,204
Legal services	103,550	173,550	160,788	12,762
Independent auditor	29,000	34,500	34,499	1
Commissioner of the Revenue	287,800	287,800	287,315	485
Assessor/equalization board	220,000	194,000	191,882	2,118
Treasurer	290,590	288,890	286,612	2,278
Finance	326,400	321,400	318,410	2,990
Technology	-	18,000	17,763	237
Risk management	73,030	54,730	53,418	1,312
Total general and financial administration	1,809,830	1,812,830	1,787,443	25,387
Board of elections - electoral board and registrar	133,590	138,443	127,467	10,976
Total general government administration	2,013,620	2,023,973	1,986,693	37,280
Judicial Administration				
Courts	177,910	177,910	176,003	1,907
Sheriff	146,390	146,390	146,390	-
Total judicial administration	324,300	324,300	322,393	1,907
Public Safety				
Law enforcement and traffic control - police department	2,278,700	2,417,454	2,284,285	133,169
Fire and rescue services - fire department	2,609,430	2,668,597	2,444,890	223,707
Correction and detention - regional operated institutions	173,840	173,840	156,201	17,639
Inspections - various	269,860	269,860	250,193	19,667
Other protection - animal control	78,040	78,040	78,031	9
Total public safety	5,409,870	5,607,791	5,213,600	394,191

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Expenditures and other financing uses (continued)				
Community development				
Planning	393,100	405,932	358,782	47,150
Economic development	5,330	5,530	5,450	80
Community development	158,430	190,430	167,107	23,323
Community development - IDA component unit	123,000	63,000	51,250	11,750
Community relations office	193,040	193,040	168,576	24,464
Total community development	872,900	857,932	751,165	106,767
Nondepartmental - miscellaneous	52,500	67,500	49,774	17,726
Department of motor vehicles	101,000	101,000	94,444	6,556
Total nondepartmental	153,500	168,500	144,218	24,282
Other Financing Uses				
Transfers to Debt Service Fund	2,581,296	2,570,296	2,548,119	22,177
Transfers to Capital Projects Fund	-	285,939	-	285,939
Transfers to Grant Fund	50,000	50,000	5,000	45,000
Transfers to Parks Recreation Fund	100,000	100,000	100,000	-
Total other financing uses	2,731,296	3,006,235	2,653,119	353,116
Total expenditures and other financing use	23,567,006	24,333,042	22,894,589	\$ 1,438,453
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ -	\$ -	\$ 193,269	\$ 193,269
Less - Encumbrances outstanding June 30, 2008, actually expended as of June 30, 2009			(276,571)	
Add - Encumbrances outstanding June 30, 2009			100,531	
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses, GAAP basis			17,229	
Fund balances - July 1, 2008			3,937,935	
Fund balances - June 30, 2009			\$ 3,955,164	

Schedules of Funding Progress and Employer Contributions (Unaudited)
Virginia Retirement System

Year Ended June 30, 2009

Schedules of Funding Progress

	Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability	Over (Under) Funded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Over (Under) Funded Actuarial Liability as a Percent of Covered Payroll
City Employees	6/30/08	\$ 18,726,503	\$ 20,091,047	\$ (1,364,544)	93.21%	\$ 5,424,958	(25.15)%
	6/30/07	\$ 16,597,606	\$ 17,743,747	\$ (1,146,141)	93.54%	\$ 5,303,994	(21.61)%
	6/30/06	\$ 14,310,654	\$ 16,662,854	\$ (2,352,200)	85.88%	\$ 5,003,885	(41.01)%
	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)%
School Board							
Non-professional Employees	6/30/08	\$ 1,479,453	\$ 1,975,378	\$ (495,924)	74.89%	\$ 619,656	(80.03)%
	6/30/07	\$ 1,314,569	\$ 1,856,849	\$ (542,280)	70.80%	\$ 557,851	(97.21)%
	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)%

Schedules of Employer Contributions

	Valuation Date	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
City Employees	6/30/09	\$ 731,860	100.00%	\$ -
	6/30/08	\$ 547,466	100.00%	\$ -
	6/30/07	\$ 464,805	100.00%	\$ -
	6/30/06	\$ 293,618	100.00%	\$ -
	6/30/05	\$ 269,921	100.00%	\$ -
School Board				
Non-professional Employees	6/30/09	\$ 60,826	100.00%	\$ -
	6/30/08	\$ 44,884	100.00%	\$ -
	6/30/07	\$ 44,504	100.00%	\$ -
	6/30/06	\$ 52,528	100.00%	\$ -
	6/30/05	\$ 50,132	100.00%	\$ -

**Schedules of Funding Progress and Employer Contributions (Unaudited)
Other Post Employment Benefits**

Year Ended June 30, 2009

Schedules of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Poquoson	7/1/08	\$ -	\$ 544,329	\$ 544,324	0.00%	\$ 5,480,141	9.93%
Component Unit - School Board	7/1/08	\$ -	\$ 611,610	\$ 611,610	0.00%	\$ 12,401,361	4.93%

Schedules of Employer Contributions

	Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
City of Poquoson	6/30/09	\$ 54,302	38.00%	\$ 33,901
Component Unit - School Board	6/30/09	\$ 70,732	51.00%	\$ 34,881

June 30, 2009

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.

* * * * *

Other Supplementary Information

City of Poquoson, Virginia

Combining Balance Sheet
Component Unit - School Board

June 30, 2009

Assets	Governmental Activities		Total School Board
	General	Special Revenue	
Cash and cash equivalents	\$ 2,823,137	\$ 69,434	\$ 2,892,571
Due from other governmental units	304,433	-	304,433
Due from special revenue fund	47,463	-	47,463
Inventory	-	8,536	8,536
Total assets	\$ 3,175,033	\$ 77,970	\$ 3,253,003
Liabilities			
Vouchers and accounts payable	\$ 2,641,296	\$ -	\$ 2,641,296
Due to primary government	132,911	-	132,911
Due to general fund	-	47,463	47,463
Total liabilities	2,774,207	47,463	2,821,670
Fund Balances			
Reserved			
Encumbrances	400,826	-	400,826
Inventory	-	8,536	8,536
Unreserved	-	21,971	21,971
Total fund balances	400,826	30,507	431,333
Total liabilities and fund balances	\$ 3,175,033	\$ 77,970	\$ 3,253,003

City of Poquoson, Virginia

***Combining Balance Sheet
 Component Unit - School Board***

June 30, 2009

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

Total fund balances - component unit - School Board	\$ 431,333
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 .	3,949,040
Noncurrent liabilities are not due and payable in the current period and, therefore, are are not reported in the funds.	<u>(393,323)</u>
Total net assets - component unit - School Board	<u>\$ 3,987,050</u>

City of Poquoson, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - School Board

Year Ended June 30, 2009

	General Fund	Special Revenue	Total School Board
Revenues			
Charges for services	\$ -	\$ 493,325	\$ 493,325
Intergovernmental			
Commonwealth of Virginia	13,171,349	15,837	13,187,186
Federal government	982,467	139,821	1,122,288
Local government	8,225,437	-	8,225,437
Miscellaneous	449,108	-	449,108
Total revenues	22,828,361	648,983	23,477,344
Expenditures			
Current			
Education	22,776,794	752,414	23,529,208
Total expenditures	22,776,794	752,414	23,529,208
Excess (deficiency) of revenues over expenditures	51,567	(103,431)	(51,864)
Other financing sources (uses)			
Transfers in	-	101,857	101,857
Transfers out	(101,857)	-	(101,857)
Total other financing sources - net	(101,857)	101,857	-
Net change in fund balance	(50,290)	(1,574)	(51,864)
Fund balance - July 1, 2008	451,116	32,081	483,197
Fund balance - June 30, 2009	\$ 400,826	\$ 30,507	\$ 431,333

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - School Board**

Year Ended June 30, 2009

**Reconciliation of Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances Component Unit - School Board to Statement of Activities - Component Unit**

Net change in fund balances - total school board funds \$ (51,864)

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.

Depreciation expense	(285,554)
Loss on disposal of capital assets	(34,251)

Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds

Other post-employment benefit obligation	(34,881)
--	----------

The City has a "tenancy in common" with the School Board whenever the City incurs "on-behalf" of debt for any school property owned by the School Board which is payable over more than one year. This amount is the applicable net book value change for the fiscal year.

(92,303)

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.

(236,308)

Change in net assets of governmental activities	\$ (735,161)
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City of Poquoson, Virginia

Budgetary Comparison Schedule
General Fund - School Board

Year Ended June 30, 2009

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental				
Commonwealth of Virginia	\$ 13,035,124	\$ 13,189,504	\$ 13,171,349	\$ (18,155)
Federal government	811,735	1,178,564	982,467	(196,097)
Local government	8,205,649	8,205,649	8,225,437	19,788
Miscellaneous	406,164	678,245	449,108	(229,137)
Total revenues	<u>22,458,672</u>	<u>23,251,962</u>	<u>22,828,361</u>	<u>(423,601)</u>
Expenditures				
Current				
Instruction	16,358,676	16,384,358	16,165,205	219,153
Division-wide	1,062,466	1,136,399	1,021,220	115,179
Transportation	962,985	1,075,219	1,035,857	39,362
Operation and maintenance	1,779,626	1,889,986	1,903,621	(13,635)
Food Service	415,667	416,768	370,368	46,400
Technology	1,001,917	1,041,954	987,860	54,094
Grants	897,112	1,327,065	1,010,655	316,410
Total expenditures	<u>22,478,449</u>	<u>23,271,749</u>	<u>22,494,786</u>	<u>776,963</u>
Other financing sources (uses)				
Transfer out - special revenue fund	(145,000)	(145,000)	(101,857)	43,143
Total other financing sources (uses)	<u>(145,000)</u>	<u>(145,000)</u>	<u>(101,857)</u>	<u>43,143</u>
Excess of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis	<u>\$ (164,777)</u>	<u>\$ (164,787)</u>	231,718	<u>\$ 396,505</u>
Less - encumbrances outstanding June 30, 2008, actually expended as of June 30, 2009			(451,116)	
Add - encumbrances outstanding June 30, 2009			<u>400,826</u>	
Excess of revenue and other financing sources over (under) expenditures and other financing uses - GAAP basis			(50,290)	
Fund balance - June 30, 2008			<u>451,116</u>	
Fund balance - June 30, 2009			<u>\$ 400,826</u>	

*City of Poquoson, Virginia**Schedule of Changes in Capital Assets by Function and Activity
School Board***Year Ended June 30, 2009**

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Education	\$ 21,099,836	\$ 2,030,374	\$ 575,741	\$ 22,554,469
Less - accumulated depreciation	(8,812,560)	(571,305)	547,515	(8,836,350)
	<u>12,287,276</u>	<u>1,459,069</u>	<u>28,226</u>	<u>13,718,119</u>
Allocation of assets to City - net	(7,926,128)	285,751	2,128,702	(9,769,079)
	<u>\$ 4,361,148</u>	<u>\$ 1,744,820</u>	<u>\$ 2,156,928</u>	<u>\$ 3,949,040</u>

*City of Poquoson, Virginia**Schedule of Changes in Assets and Liabilities - Agency Funds
Discretely Presented Component Unit - School Board***Year Ended June 30, 2009**

	Balance			Balance
	July 1, 2008	Additions	Deductions	June 30, 2009
Assets				
Cash and cash equivalents	\$ 438,245	\$ 929,367	\$ 964,625	\$ 402,987
Liabilities				
Due to students	\$ 438,245	\$ 929,367	\$ 964,625	\$ 402,987

*City of Poquoson, Virginia****Statement of Changes in Assets and Liabilities - Library Agency Fund*****Year Ended June 30, 2009**

	Balance				Balance
	July 1, 2008	Additions	Deductions		June 30, 2009
Assets					
Cash and cash equivalents	\$ 37,365	\$ 641	\$ -		\$ 38,006
Liabilities					
Amounts held for others	\$ 37,365	\$ 641	\$ -		\$ 38,006

*City of Poquoson, Virginia**Statement of Cash Flows - Component Unit -
Industrial Development Authority***Year Ended June 30, 2009****Cash flows from operating activities**

Received from customers and users	\$ 86,147
Payments to suppliers for goods and services	(8,840)
Net cash provided by operating activities	<u>77,307</u>

Cash flows from capital and related financing activities

Interest paid on capital debt	(51,917)
Proceeds from sale of capital asset	206,153
Borrowings repaid	(205,153)
Net cash used in capital and related financing activities	<u>(50,917)</u>

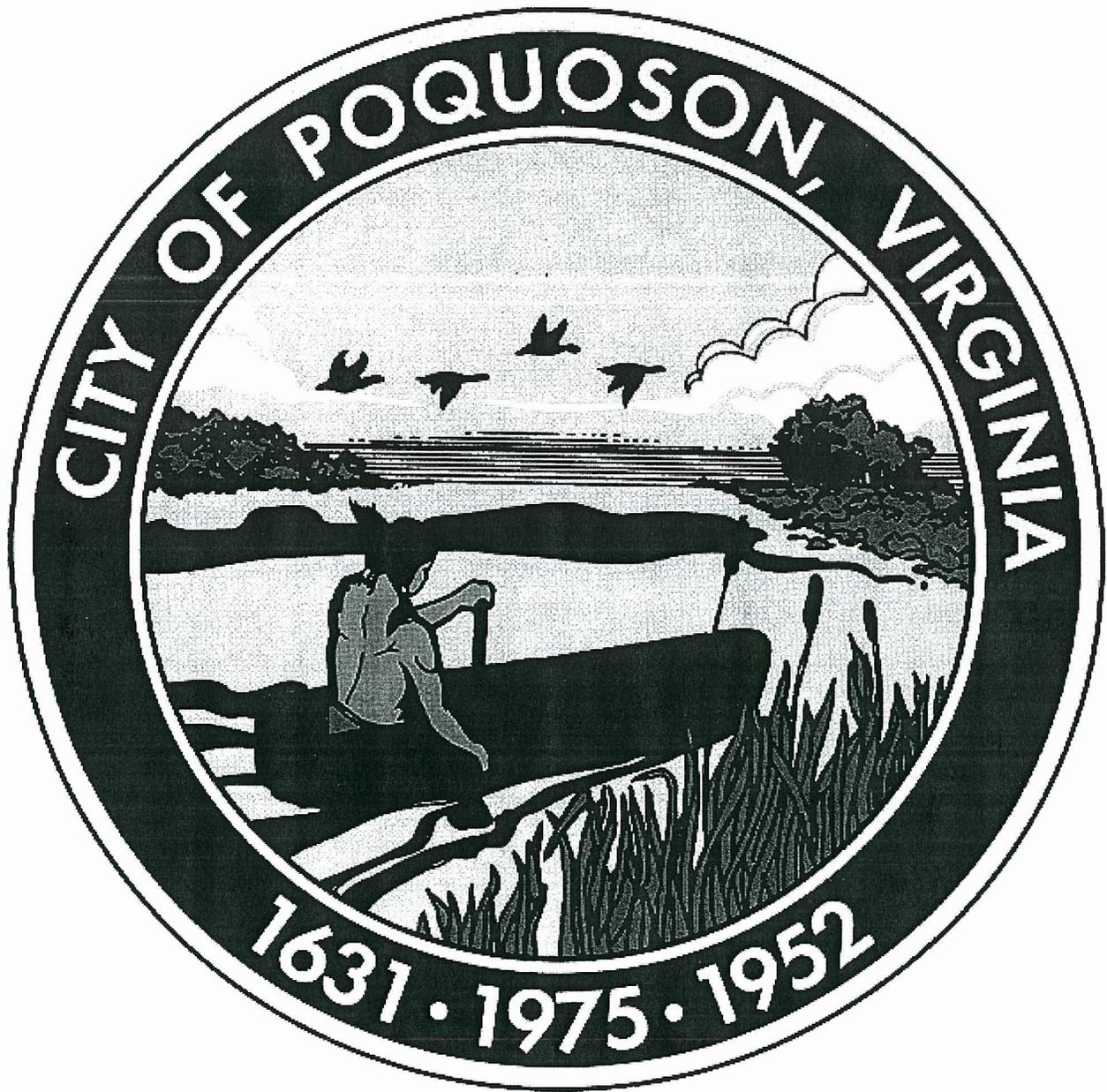
Net increase in cash and cash equivalents	26,390
--	--------

Cash and cash equivalents - beginning of year	<u>62,096</u>
--	---------------

Cash and cash equivalents - end of year	<u>\$ 88,486</u>
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Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 26,714
Adjustments	
Depreciation and amortization	49,828
Changes in assets and liabilities	
Receivables	765
Net cash provided by operating activities	<u>\$ 77,307</u>



STATISTICAL SECTION

City of Poquoson, Virginia

Statistical Section Overview

June 30, 2009

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 - 4

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 5 – 7

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

Debt Capacity Tables 8 - 10

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 11 - 12

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 13 - 15

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.

* * * * *

Table 1

City of Poquoson, Virginia

Net Assets by Component

Last seven fiscal years	2009	2008	2007	2006	2005	2004	2003
Governmental activities							
Invested in capital assets -							
net of related debt	\$ 18,654,461	\$ 12,045,582	\$ 17,183,471	\$ 10,104,292	\$ 7,579,069	\$ 6,026,883	\$ 5,133,636
Unrestricted	4,668,824	9,164,683	3,057,158	5,044,143	5,765,548	4,925,489	4,959,729
Total governmental activities	\$ 23,323,285	\$ 21,210,265	\$ 20,240,629	\$ 15,148,435	\$ 13,344,617	\$ 10,952,372	\$ 10,093,365
Business-type activities							
Invested in capital assets -							
net of related debt	\$ 5,595,258	\$ 5,518,765	\$ 5,516,767	\$ 5,502,835	\$ 5,164,685	\$ 5,232,966	\$ 4,693,016
Restricted - debt service	-	-	-	-	-	-	598,114
Restricted - sewer improvements	-	-	-	-	-	71,623	-
Unrestricted	1,038,282	1,454,510	1,808,221	1,690,392	1,854,439	1,459,144	1,704,131
Total business-type activities	\$ 6,633,540	\$ 6,973,275	\$ 7,324,988	\$ 7,193,227	\$ 7,019,124	\$ 6,763,733	\$ 6,995,261
Primary government							
Invested in capital assets -							
net of related debt	\$ 24,249,719	\$ 17,564,347	\$ 22,700,238	\$ 15,607,127	\$ 12,743,754	\$ 11,259,849	\$ 9,826,652
Restricted - debt service	-	-	-	-	-	-	598,114
Restricted - sewer improvements	-	-	-	-	-	71,623	-
Unrestricted	5,707,106	10,619,193	4,865,379	6,734,535	7,619,987	6,384,633	6,663,860
Total primary government	\$ 29,956,825	\$ 28,183,540	\$ 27,565,617	\$ 22,341,662	\$ 20,363,741	\$ 17,716,105	\$ 17,088,626

Table 2

City of Poquoson, Virginia

Change in Net Assets

Last seven fiscal years	2009	2008	2007	2006	2005	2004	2003
Expenses							
Governmental activities							
General government	\$ 2,379,573	\$ 1,415,530	\$ 4,532,796	\$ 2,379,161	\$ 1,716,083	\$ 1,449,410	\$ 1,401,639
Public safety and judicial	5,844,764	6,668,792	5,514,359	4,896,621	4,931,153	4,101,007	3,968,182
Public works	1,780,286	1,587,249	1,511,607	1,327,111	1,694,612	1,659,214	1,472,320
Health and welfare	1,162,301	1,081,767	862,689	821,356	840,310	650,092	605,334
Education	8,364,349	8,405,003	8,126,211	7,426,666	7,087,769	6,965,522	6,459,434
Parks and recreation	1,389,000	1,249,535	18,006	1,030,174	1,343,537	839,537	775,359
Community development	1,272,635	2,327,008	1,081,786	817,214	563,788	636,477	514,618
Interest on long-term debt	1,263,686	1,399,427	1,246,037	462,508	500,461	525,850	561,580
Nondepartmental	355,445	-	-	-	130,551	120,404	78,826
Total governmental activities	23,812,039	24,134,311	22,893,491	19,160,811	18,808,264	16,947,513	15,837,292
Business-type activities							
Sewer	1,534,743	1,604,560	1,596,599	1,554,446	1,537,870	1,609,179	1,657,238
Parks and recreation	463,662	463,668	473,754	587,701	545,799	524,504	543,327
Solid waste	768,565	904,411	595,209	528,325	475,269	446,172	430,223
Total business-type activities	2,766,970	2,972,639	2,665,562	2,670,472	2,558,938	2,579,855	2,630,788
Total expenses	\$ 26,579,009	\$ 27,106,950	\$ 25,559,053	\$ 21,831,283	\$ 21,367,202	\$ 19,527,368	\$ 18,468,080
Program revenues							
Governmental activities							
Charges for services							
General government	\$ 274,901	\$ 157,130	\$ 100,055	\$ 104,747	\$ 100,546	\$ 92,864	\$ -
Public safety and judicial	108,456	102,452	185,842	163,397	118,496	95,621	105,102
Education	-	-	-	-	-	21,800	21,200
Parks and recreation	55,288	69,952	72,253	24,367	24,543	25,849	22,835
Community development	22,741	36,230	51,543	53,397	-	109,087	40,392
Nondepartmental	-	-	-	-	-	-	60,266
Operating grants and contributions	1,658,180	2,290,305	2,094,100	2,122,034	2,705,293	1,718,011	1,326,011
Capital grants and contributions	2,873,294	1,745,973	1,260,858	342,400	1,187,904	193,425	694,324
Total governmental activities	4,992,860	4,402,042	3,764,651	2,810,342	4,136,782	2,256,657	2,270,130
Business-type activities							
Charges for services							
Sewer	1,528,438	1,514,893	1,803,913	1,413,403	1,271,539	1,216,215	1,151,403
Solid waste	586,277	511,173	329,172	315,082	340,230	325,361	300,715
Parks and recreation	171,459	177,858	209,147	334,911	325,319	325,083	331,999
Total business-type activities	2,286,174	2,203,924	2,342,232	2,063,396	1,937,088	1,866,659	1,784,117
Total program revenues	\$ 7,279,034	\$ 6,605,966	\$ 6,106,883	\$ 4,873,738	\$ 6,073,870	\$ 4,123,316	\$ 4,054,247
Governmental activities net expense	\$ (18,819,179)	\$ (19,732,269)	\$ (19,128,840)	\$ (16,350,469)	\$ (14,671,482)	\$ (14,690,856)	\$ (13,567,162)
Business-type activities net expense	(480,796)	(768,715)	(323,330)	(607,076)	(621,850)	(713,196)	(846,671)
Total primary government net expenses	\$ (19,299,975)	\$ (20,500,984)	\$ (19,452,170)	\$ (16,957,545)	\$ (15,293,332)	\$ (15,404,052)	\$ (14,413,833)

Change in Net Assets

Last seven fiscal years	2009	2008	2007	2006	2005	2004	2003
General revenues and other changes in net assets							
Governmental activities							
Taxes							
Property taxes	\$ 17,989,555	\$ 15,956,711	\$ 15,636,708	\$ 13,053,028	\$ 12,489,445	\$ 11,135,298	\$ 10,796,813
Other taxes	2,537,554	2,613,195	2,541,189	2,792,592	2,635,723	2,524,964	2,442,485
Reimbursements from other agencies	95,694	1,367,713	1,970,935	2,035,707	1,830,047	2,012,657	1,669,092
Payments in lieu of taxes							
Investment earnings	179,671	728,606	1,085,397	415,638	119,801	-	52,492
Miscellaneous	99,725	294,109	146,900	75,005	116,511	83,401	67,633
Transfers	30,000	(258,430)	(270,005)	(217,683)	(127,800)	(102,200)	(74,000)
Total governmental activities	20,932,199	20,701,904	21,111,124	18,154,287	17,063,727	15,654,120	14,954,515
Business-type activities							
Investment earnings	29,264	37,001	37,913	23,393	23,888	39,559	84,824
Miscellaneous	141,797	167,035	147,176	540,100	725,553	339,909	318,936
Loss on disposal of capital assets	-	(45,464)	-	-	-	-	-
Transfers	(30,000)	258,430	270,005	217,683	127,800	102,200	74,000
Total business-type activities	141,061	417,002	455,094	781,176	877,241	481,668	477,760
Total general revenues and other changes in net assets	\$ 21,073,260	\$ 21,118,906	\$ 21,566,218	\$ 18,935,463	\$ 17,940,968	\$ 16,135,788	\$ 15,432,275
Extraordinary item							
Governmental activities							
Hurricane Isabel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (104,257)	\$ -
Change in Net Assets							
Governmental activities	\$ 2,113,020	\$ 969,635	\$ 1,982,284	\$ 1,803,818	\$ 2,392,245	\$ 859,007	\$ 1,387,353
Business-type activities	(339,735)	(351,713)	131,764	174,100	255,391	(231,528)	(368,911)
Total primary government	\$ 1,773,285	\$ 617,922	\$ 2,114,048	\$ 1,977,918	\$ 2,647,636	\$ 627,479	\$ 1,018,442

City of Poquoson, Virginia

Fund Balances - Governmental Funds

Last Ten Fiscal Years	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General fund										
Reserved for										
Encumbrances & loans	\$ 392,810	\$ 276,571	\$ 180,562	\$ 125,336	\$ 71,459	\$ 125,653	\$ 114,656	\$ 110,644	\$ 149,263	\$ 104,141
Asset forfeiture	89,261	89,594	-	-	-	-	-	-	-	-
Fire department	69,671	-	-	-	-	-	-	-	-	-
Library	13,861	-	-	-	-	-	-	-	-	-
Unreserved										
Undesignated	3,389,561	3,571,770	4,858,261	4,550,535	4,764,304	4,015,477	4,239,425	3,861,831	3,946,030	3,957,859
Total general fund	\$ 3,955,164	\$ 3,937,935	\$ 5,038,823	\$ 4,675,871	\$ 4,835,763	\$ 4,141,130	\$ 4,354,081	\$ 3,972,475	\$ 4,095,293	\$ 4,062,000
All other governmental funds										
Reserved for										
Purchase of fire truck	\$ -	\$ -	\$ -	\$ -	\$ 339,000	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	32,077	27,168	9,738	(73,569)	52,055	-	-	-	-	-
Construction - bond principal	826,219	4,244,577	16,196,290	13,433,589	-	-	-	-	-	-
Construction - bond earnings	-	-	82,801	318,938	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-	-	221,203	457,695	22,268
Unreserved for										
Designated	-	1,203,324	327,503	1,273,130	747,677	1,024,626	767,291	628,969	(34,009)	170,486
Unreserved and undesignated	470,991	258,724	385,137	80,000	-	-	-	-	-	-
Total all other governmental funds	\$ 1,329,287	\$ 5,733,793	\$ 17,001,469	\$ 15,032,088	\$ 1,138,732	\$ 1,024,626	\$ 767,291	\$ 850,172	\$ 423,686	\$ 192,754

City of Poquoson, Virginia

Changes in Fund Balances - Governmental Funds

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Last Ten Fiscal Years										
Revenues										
General property taxes	\$ 16,034,422	\$ 16,127,168	\$ 15,562,860	\$ 13,012,958	\$ 12,488,453	\$ 11,226,560	\$ 10,859,951	\$ 9,716,038	\$ 9,921,498	\$ 9,247,685
Other local taxes	2,537,554	2,613,195	2,541,189	2,792,592	2,635,722	2,524,964	2,442,485	2,402,784	1,984,354	1,890,427
Permits, privilege fees and regulatory licenses	83,775	98,233	162,218	173,401	172,455	173,525	116,843	144,907	108,412	100,194
Fines and forfeitures	46,859	38,201	73,942	37,283	30,583	24,605	27,970	22,596	25,448	35,957
Revenue from use of money and property	224,492	825,346	1,171,832	503,615	202,548	58,937	132,706	120,990	226,465	208,543
Charges for services	55,909	71,505	72,749	29,694	30,318	31,740	23,132	29,069	28,980	28,360
Intergovernmental	4,871,491	6,017,329	5,389,676	4,898,316	5,324,277	3,694,854	3,670,215	3,540,724	2,915,842	2,255,909
Miscellaneous	86,991	320,188	94,093	37,381	93,385	369,054	88,481	24,817	45,138	22,710
Total revenues	23,941,493	26,111,165	25,068,559	21,485,240	20,977,741	18,104,239	17,361,783	16,001,925	15,256,137	13,789,785
Expenditures										
Current										
General government and administration	2,324,651	2,018,674	1,938,236	1,754,223	1,543,930	1,330,271	1,273,661	1,257,684	1,172,028	1,149,086
Public safety and judicial	5,328,217	5,952,162	5,235,778	4,857,162	4,440,330	4,007,945	3,774,685	3,284,029	3,092,622	2,943,894
Public works	1,535,411	1,503,219	1,428,384	1,232,132	1,284,108	1,125,448	1,013,082	1,025,194	889,179	983,878
Health and welfare	1,131,499	1,067,418	843,523	802,295	819,499	657,485	601,282	447,294	464,380	448,376
Parks, recreation, and cultural	1,169,328	1,175,226	1,034,306	935,543	830,797	763,681	763,866	720,466	730,150	663,220
Community development	1,236,529	2,222,658	1,544,499	640,718	507,520	535,757	452,374	449,777	258,403	262,813
Nondepartmental	134,282	218,133	173,643	140,315	127,144	115,105	78,254	42,271	35,366	44,668
Education	8,078,598	8,147,463	7,880,000	7,555,104	7,311,063	6,728,536	6,901,085	6,696,939	6,981,148	5,850,281
Industrial Development Authority	51,250	110,000	123,861	147,530	59,900	95,000	-	-	-	-
Capital outlays	7,085,050	14,035,793	8,460,299	2,447,596	2,338,525	986,129	993,632	1,266,450	1,558,824	1,414,003
Debt service										
Principal retirement	1,414,131	1,495,455	1,092,106	1,058,843	1,066,793	983,418	4,320,579	987,099	855,248	812,159
Bond issuance costs	139,699	-	-	-	500	2,000	17,300	-	-	-
Interest and fiscal charges	1,244,582	1,258,222	1,038,815	462,632	497,733	522,623	595,909	610,220	591,570	601,314
Total expenditures	30,873,227	39,204,423	30,793,450	22,034,093	20,827,842	17,853,398	20,785,709	16,787,423	16,628,918	15,173,692
Excess (deficiency) of revenue over expenditures	(6,931,734)	(13,093,258)	(5,724,891)	(548,853)	149,899	250,841	(3,423,926)	(785,498)	(1,372,781)	(1,383,907)
Other financing sources (uses)										
Transfers in	2,708,519	448,610	457,417	150,000	590,000	151,800	590,651	807,468	689,963	671,037
Issuance of debt	2,514,557	664,414	8,000,000	14,500,000	349,640	-	3,405,000	597,000	1,572,428	-
Transfers out	(2,678,519)	(388,430)	(400,193)	(367,683)	(280,800)	(254,000)	(273,000)	(286,400)	(625,385)	(134,000)
Total other financing sources (uses)	2,544,557	724,594	8,057,224	14,282,317	658,840	(102,200)	3,722,651	1,118,068	1,637,006	537,037
Net change in fund balances before extraordinary item	(4,387,177)	(12,368,664)	2,332,333	13,733,464	808,739	148,641	298,725	332,570	264,225	(846,870)
Extraordinary item-Hurricane Isabel										
Revenues	-	-	-	-	-	2,693,258	-	-	-	-
Expenditures	-	-	-	-	-	(2,797,515)	-	-	-	-
Total extraordinary item - Hurricane Isabel	-	-	-	-	-	(104,257)	-	-	-	-
Net change in fund balances	\$(4,387,177)	\$(12,368,664)	\$2,332,333	\$13,733,464	\$808,739	\$44,384	\$298,725	\$332,570	\$264,225	\$(846,870)
Debt service as a percentage of noncapital expenditures	11.76%	11.23%	9.75%	9.78%	8.50%	9.28%	24.98%	10.14%	9.53%	10.09%

City of Poquoson, Virginia

Assessed Value and Estimated Actual Value of Taxable Real Property

Last Ten Fiscal Years		Commercial/Industrial Property		Agricultural Property		Total Taxable Assessed Value		Tax Exempt Property		Total Direct Tax Rate		Estimated Actual Taxable Value		Assessed Value as a Percentage of Actual Value	
Fiscal Year	Residential Property	Commercial/Industrial Property	Agricultural Property	Total Taxable Assessed Value	Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value							
2009	\$1,604,471,900	\$ 91,095,808	\$ 3,227,800	\$1,698,795,508	\$ 81,348,380	\$0.81	\$1,705,314,450	99%							
2008	\$1,577,324,400	\$ 97,776,982	\$ 3,227,800	\$1,678,329,182	\$ 81,410,750	\$0.81	\$1,730,236,270	97%							
2007	\$1,543,797,900	\$ 90,461,496	\$ 3,227,800	\$1,637,487,196	\$ 80,948,613	\$0.81	\$1,817,410,872	90%							
2006	\$ 955,801,900	\$ 79,069,841	\$ 2,431,400	\$1,037,303,141	\$ 71,268,800	\$1.06	\$1,548,213,643	67%							
2005	\$ 933,021,200	\$ 79,555,306	\$ 2,425,800	\$1,015,002,306	\$ 71,118,562	\$1.06	\$1,318,184,813	77%							
2004	\$ 772,269,200	\$ 73,015,935	\$ 1,998,600	\$ 847,283,735	\$ 63,679,146	\$1.12	\$ 901,365,676	94%							
2003	\$ 755,651,100	\$ 69,944,736	\$ 2,008,300	\$ 827,604,136	\$ 59,679,816	\$1.12	\$ 962,330,391	86%							
2002	\$ 677,825,700	\$ 69,359,197	\$ 1,836,400	\$ 749,021,297	\$ 54,070,535	\$1.12	\$ 851,160,565	88%							
2001	\$ 677,062,200	\$ 57,394,386	\$ 2,253,800	\$ 736,710,386	\$ 52,326,710	\$1.12	\$ 775,484,617	95%							
2000	\$ 611,512,900	\$ 48,437,685	\$ 1,179,500	\$ 661,130,085	\$ 49,084,235	\$1.12	\$ 718,619,658	92%							

Source: Commissioner of the Revenue and City Assessor

City of Poquoson, Virginia

Property Tax Levies and Collections

Fiscal Year	Net Taxes Levied			Total Adjusted		Collected Within the Fiscal Year of the Levy		Total Collected to Date	
	for Fiscal Year (Original Levy)	Subsequent Year Adjustments	Net Levy	Amount	Percent of Original Levy	Amount	Percent of Original Levy	Amount	Percent of Original Levy
2009	\$ 13,481,887	\$ -	\$ 13,481,887	\$ 13,306,699	98.70%	\$ -	0%	\$ 13,306,699	98.70%
2008	\$ 13,330,523	\$ (555)	\$ 13,329,968	\$ 13,186,765	98.92%	\$ 86,782	0.65%	\$ 13,273,547	99.58%
2007	\$ 13,075,301	\$ 740	\$ 13,076,041	\$ 12,941,290	98.98%	\$ 117,425	0.90%	\$ 13,058,715	99.87%
2006	\$ 10,831,249	\$ 2,841	\$ 10,834,090	\$ 10,643,194	98.26%	\$ 185,554	1.71%	\$ 10,828,748	99.95%
2005	\$ 10,566,343	\$ 5,748	\$ 10,572,091	\$ 10,399,214	98.42%	\$ 170,594	1.61%	\$ 10,569,808	99.98%
2004	\$ 9,274,686	\$ (9,546)	\$ 9,265,140	\$ 9,104,267	98.16%	\$ 154,140	1.66%	\$ 9,258,407	99.93%
2003	\$ 9,178,628	\$ (276)	\$ 9,178,352	\$ 8,964,109	97.66%	\$ 209,572	2.28%	\$ 9,173,681	99.95%
2002	\$ 8,227,541	\$ 40	\$ 8,227,581	\$ 7,988,231	97.09%	\$ 233,811	2.84%	\$ 8,222,042	99.93%
2001	\$ 8,104,735	\$ 84	\$ 8,104,819	\$ 7,882,281	97.26%	\$ 216,060	2.67%	\$ 8,098,341	99.92%
2000	\$ 7,272,754	\$ 347	\$ 7,273,101	\$ 7,094,200	97.54%	\$ 174,064	2.39%	\$ 7,268,264	99.93%

Source: City of Poquoson Treasurer's Department

Table 7

City of Poquoson, Virginia

Principal Taxpayers - 2009 and Nine Years Ago

Years Ended		2009		2000	
Taxpayer	Type of Business	Assessed	Percentage	Assessed	Percentage
		Valuation	of Total	Valuation	of Total
		Real Estate	Real Estate	Real Estate	Real Estate
			Assessment		Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 10,265,000	0.60%	\$ 6,796,800	1.03%
Poquoson Marina Associates	Marina / Mobile Home Park	6,912,100	0.41%	-	-
Poquoson Commons Retail Investors, Inc.	Shopping Center	6,844,500	0.40%	2,564,000	0.39%
Poquoson Shopping Center, L.L.C.	Shopping Center	5,002,300	0.29%	-	-
SGC Wythe Creek L.L.C.	Shopping Center	4,407,200	0.26%	-	-
Islander Associates	Apartment Rentals	3,960,000	0.23%	2,502,400	0.38%
Hunt Properties of Poquoson Inc.	Storage Facilities	3,959,900	0.23%	-	-
Marque Homes at Poquoson Lakes, Inc.	Subdivision	3,673,800	0.22%		
GPH Poquoson L.L.C.	Nursing Home	3,468,200	0.20%	-	-
Universal of Poquoson	Mobile Home Park	3,378,000	0.20%	2,241,200	0.34%
Wachovia Bank	Financial Institution	-	-	1,664,100	0.25%
Carl B. Johnson	Shopping Center	-	-	3,190,600	0.48%
Vantage Healthcare Corporation	Nursing Home	-	-	2,092,100	0.32%
Carematrix of Dominion Village	Nursing Home	-	-	1,801,800	0.27%
Suburban Land Company	Financial Institution	-	-	3,775,300	0.57%
David A. Carpenter	Mobile Home Park/Marina	-	-	2,808,700	0.42%
		<u>\$ 51,871,000</u>	<u>3.04%</u>	<u>\$ 29,437,000</u>	<u>4.45%</u>

Source: Commissioner of the Revenue

Table 8

City of Poquoson, Virginia

Computation of Legal Debt Margin

Last ten fiscal years	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total assessed value of taxed real property										
General	\$1,685,314,440	\$1,662,716,070	\$1,627,336,017	\$1,025,497,078	\$1,002,511,357	\$ 832,002,644	\$ 814,646,831	\$ 732,405,108	\$ 721,546,098	\$ 647,091,321
Public service corporations	13,481,068	15,613,112	10,151,179	11,806,063	12,490,949	15,281,091	12,957,305	16,616,189	15,164,288	14,038,764
Total	\$1,698,795,508	\$1,678,329,182	\$1,637,487,196	\$1,037,303,141	\$1,015,002,306	\$ 847,283,735	\$ 827,604,136	\$ 749,021,297	\$ 736,710,386	\$ 661,130,085
Debt limit (10% of total assessed value)	\$ 169,879,551	\$ 167,832,918	\$ 163,748,720	\$ 103,730,314	\$ 101,500,231	\$ 84,728,374	\$ 82,760,414	\$ 74,902,130	\$ 73,671,039	\$ 66,113,009
Debt applicable to debt limit										
General obligation bonds, other than those authorized for a specific revenue producing project	29,552,678	27,460,783	28,341,971	20,966,951	7,060,912	7,645,953	8,189,853	8,455,597	8,385,678	7,192,080
Capital leases	388,577	978,046	525,899	591,024	653,906	-	-	-	-	-
Sewer general obligation bonds	9,796,907	10,508,638	11,280,327	12,049,089	12,791,016	13,506,624	14,131,490	14,779,335	13,108,140	8,699,313
State literary fund loans	2,763,820	3,165,820	3,567,820	3,969,820	4,371,820	4,811,338	5,250,856	5,690,374	6,150,392	6,626,810
	42,501,982	42,113,287	43,716,017	37,576,884	24,877,654	25,963,915	27,572,199	28,925,306	27,644,210	22,518,203
Margin for additional borrowing	\$ 127,377,569	\$ 125,719,631	\$ 120,032,703	\$ 66,153,430	\$ 76,622,577	\$ 58,764,459	\$ 55,188,215	\$ 45,976,824	\$ 46,026,829	\$ 43,594,806
Total net debt applicable to the limit as a percentage of debt limit	25.02%	25.09%	26.70%	36.23%	24.51%	30.64%	33.32%	38.62%	37.52%	34.06%

City of Poquoson, Virginia
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Median Household Income	Percentage of Personal Income	Per Capita
	General		Term Loans Payable		Capital Leases		Sewer Bonds					
	Obligation Bonds											
2009	\$ 29,552,678	\$ 2,763,820	\$ 388,577	\$ 9,796,907	\$ 42,501,982	N/A	N/A	N/A	\$ 3,605			
2008	\$ 27,460,783	\$ 3,165,820	\$ 978,046	\$ 10,508,638	\$ 42,113,287	N/A	N/A	N/A	\$ 3,563			
2007	\$ 28,341,971	\$ 3,567,820	\$ 525,899	\$ 11,280,327	\$ 43,716,017	\$ 78,191	0.014%	0.014%	\$ 3,659			
2006	\$ 20,966,951	\$ 3,969,820	\$ 591,024	\$ 12,049,089	\$ 37,576,884	\$ 76,741	0.012%	0.012%	\$ 3,167			
2005	\$ 7,060,912	\$ 4,371,820	\$ 653,906	\$ 12,791,016	\$ 24,877,654	\$ 71,435	0.009%	0.009%	\$ 2,115			
2004	\$ 7,645,953	\$ 4,811,338	\$ -	\$ 13,506,624	\$ 25,963,915	\$ 70,476	0.010%	0.010%	\$ 2,219			
2003	\$ 8,189,853	\$ 5,250,856	\$ -	\$ 14,131,490	\$ 27,572,199	\$ 67,664	0.011%	0.011%	\$ 2,398			
2002	\$ 8,455,597	\$ 5,690,374	\$ -	\$ 14,779,335	\$ 28,925,306	\$ 66,985	0.012%	0.012%	\$ 2,515			
2001	\$ 8,385,678	\$ 6,150,392	\$ -	\$ 13,108,140	\$ 27,644,210	\$ 64,011	0.013%	0.013%	\$ 2,404			
2000	\$ 7,192,080	\$ 6,626,810	\$ -	\$ 8,699,313	\$ 22,518,203	\$ 63,329	0.010%	0.010%	\$ 1,947			

City of Poquoson, Virginia

Ratio of Net General Bonded Debt to Assessed

Fiscal Year	Population	Assessed Value	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	
				Value	Net Bonded Debt per Capita
2009	11,566 (1)	\$ 1,698,795,508	\$ 32,705,075	1.93%	\$ 2,828
2008	11,566 (1)	\$ 1,678,329,182	\$ 31,604,649	1.88%	\$ 2,733
2007	11,566 (1)	\$ 1,637,487,196	\$ 32,435,690	1.98%	\$ 2,804
2006	11,566 (1)	\$ 1,037,303,141	\$ 11,027,795	1.06%	\$ 953
2005	11,566 (1)	\$ 1,015,002,306	\$ 12,086,638	1.19%	\$ 1,045
2004	11,566 (1)	\$ 847,283,735	\$ 12,457,291	1.47%	\$ 1,077
2003	11,566 (1)	\$ 827,604,136	\$ 13,440,709	1.62%	\$ 1,162
2002	11,566 (1)	\$ 749,021,297	\$ 14,145,971	1.89%	\$ 1,223
2001	11,566 (1)	\$ 736,710,386	\$ 14,536,070	1.97%	\$ 1,257
2000	11,566 (1)	\$ 661,130,085	\$ 13,818,890	2.09%	\$ 1,195

(1) Source: 2000 United States Census

(2) Only debt to be repaid with general government resources is included, therefore this table does not include Enterprise and Internal Service general obligation debt, which are retired through revenues of the related operations.

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (3) (in millions)</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate</u>
2009	11,791 (2)	N/A	N/A	2,531	5.4% (5)
2008	11,818 (2)	N/A	N/A	2,478	3.7% (5)
2007	11,948 (2)	\$ 3,222	\$ 44,148	2,583	2.3% (6)
2006	11,865 (2)	\$ 3,061	\$ 42,146	2,572	2.3% (6)
2005	11,764 (2)	\$ 2,868	\$ 39,603	2,563	2.8% (6)
2004	11,700 (2)	\$ 2,603	\$ 35,917	2,503	3.0% (6)
2003	11,500 (2)	\$ 2,444	\$ 34,029	2,503	3.1% (6)
2002	11,500 (2)	\$ 2,316	\$ 32,685	2,492	2.7% (6)
2001	11,500 (2)	\$ 2,174	\$ 31,460	2,483	2.4% (6)
2000	11,566 (1)	\$ 1,975	\$ 28,927	2,474	1.8% (6)

N/A-This information is not available

Source:

- (1) 2000 United States Census
- (2) Weldon Cooper Center for Public Service
- (3) Bureau of Economic Analysis combined amount for York County/Poquoson
- (4) Poquoson School Board. Data is September enrollment for each fiscal year.
- (5) Virginia Economic Development Partnership
- (6) Virginia Employment Commission

Table 12

*City of Poquoson, Virginia**Principal Employers in Poquoson - 2009 and Nine Years Ago*

Employment	2009		2000	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	324	11.68%	276	11.10%
City of Poquoson	157	5.66%	122	4.91%
Farm Fresh	82	2.96%	75	3.02%
Gnsc Poquoson L.L.C.	55	1.98%	54	2.17%
Food Lion	51	1.84%	45	1.81%
McDonald's Restaurant	50	1.80%	20	0.80%
Village Williamsburg	46	1.66%	46	0.00%
Pizza Hut	40	1.44%	0	0.00%
Unity Business Systems	28	1.01%	0	0.00%
Stephen's Office Supply	27	0.97%	18	0.72%
	860	31.90%	656	25.91%

Source: City of Poquoson Economic Development Department

City of Poquoson

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years	Full-time Equivalent Employees as of June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Function/Program										
General government										
Management services	14.20	14.20	14.20	12.60	12.00	11.50	10.50	9.70	9.30	8.70
Finance	8.00	8.00	8.00	8.00	7.50	7.20	7.20	7.20	7.20	7.20
Planning	5.45	5.45	5.45	5.45	3.60	3.60	3.70	3.70	3.30	2.70
Building	4.00	4.00	4.00	4.00	3.10	2.10	2.25	2.50	2.50	2.50
Other	2.10	2.10	2.10	2.10	2.10	2.10	2.00	2.00	2.00	2.00
Police										
Officers	22.50	22.50	22.50	22.50	20.50	20.50	20.90	20.90	21.25	21.25
Civilians	2.00	6.50	6.50	6.50	6.50	6.10	5.75	5.75	6.75	6.75
Fire										
Firefighters and officers	29.00	29.00	28.00	26.00	26.00	26.00	26.00	22.00	22.50	22.50
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00
Refuse collection	2.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other public works	15.50	15.00	14.50	14.50	14.50	14.50	14.50	14.50	13.50	13.50
Engineering	1.00	1.00	1.00	1.00	2.85	2.85	2.75	2.75	3.75	3.75
Other	3.00	3.00	2.40	2.00	2.00	2.10	2.10	2.10	2.10	2.00
Fleet	4.50	4.50	4.50	4.60	4.60	4.75	5.00	5.00	5.00	5.00
Parks and recreation	13.55	13.50	13.50	15.70	13.50	13.50	14.00	14.00	12.40	12.00
Library	11.95	11.95	11.45	11.45	10.45	10.45	10.45	9.95	9.95	9.95
Wastewater	4.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50	3.00	3.00
Total	143.75	148.20	146.10	144.40	137.20	134.75	134.60	128.55	127.50	125.80

Source: Finance Department

City of Poquoson, Virginia

Operating Indicators by Function/Program

Last Ten Fiscal Years	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Function/Program										
Police (1)										
Physical arrests	357	410	379	444	412	350	482	438	778	493
Parking violations	N/A	8	71	N/A						
Traffic violations	960	804	1,041	550	712	468	701	762	795	1,075
Fire (2)										
Emergency responses	1,574	1,362	1,687	1,466	1,194	1,106	1,127	1,055	1,183	1,183
Fires extinguished	44	38	35	52	85	180	76	85	63	63
Inspections	56	31	41	23	12	12	12	12	10	10
Refuse collection (3)										
Refuse collected (tons)	2,524	2,160	1,663	1,603	1,610	1,604	1,646	1,550	1,535	1,573
Recyclables collected (tons)	2,482	1,490	1,445	1,484	1,312	1,578	1,396	1,174	1,153	1,230
Other public works (3)										
Street resurfacing (tons)	3,315	3,910	4,943	3,620	3,019	2,737	2,536	3,409	4,725	5,900
Library (4)										
Volumes in collection	60,180	58,266	58,401	57,196	53,856	52,644	51,684	50,755	47,496	42,703
Total volumes borrowed	216,065	208,534	193,354	190,000	181,360	179,276	197,299	189,127	186,450	193,785
Wastewater (5)										
Sewer connections	4,876	4,871	4,790	4,649	4,544	4,494	4,440	4,200	3,881	3,907

Sources:

- (1) City of Poquoson Police Department
- (2) City of Poquoson Fire Department
- (3) City of Poquoson Public Works Department
- (4) City of Poquoson Library
- (5) City of Poquoson Finance Department

N/A-This information is not available

City of Poquoson, Virginia

Capital Asset Statistics by Function/Program

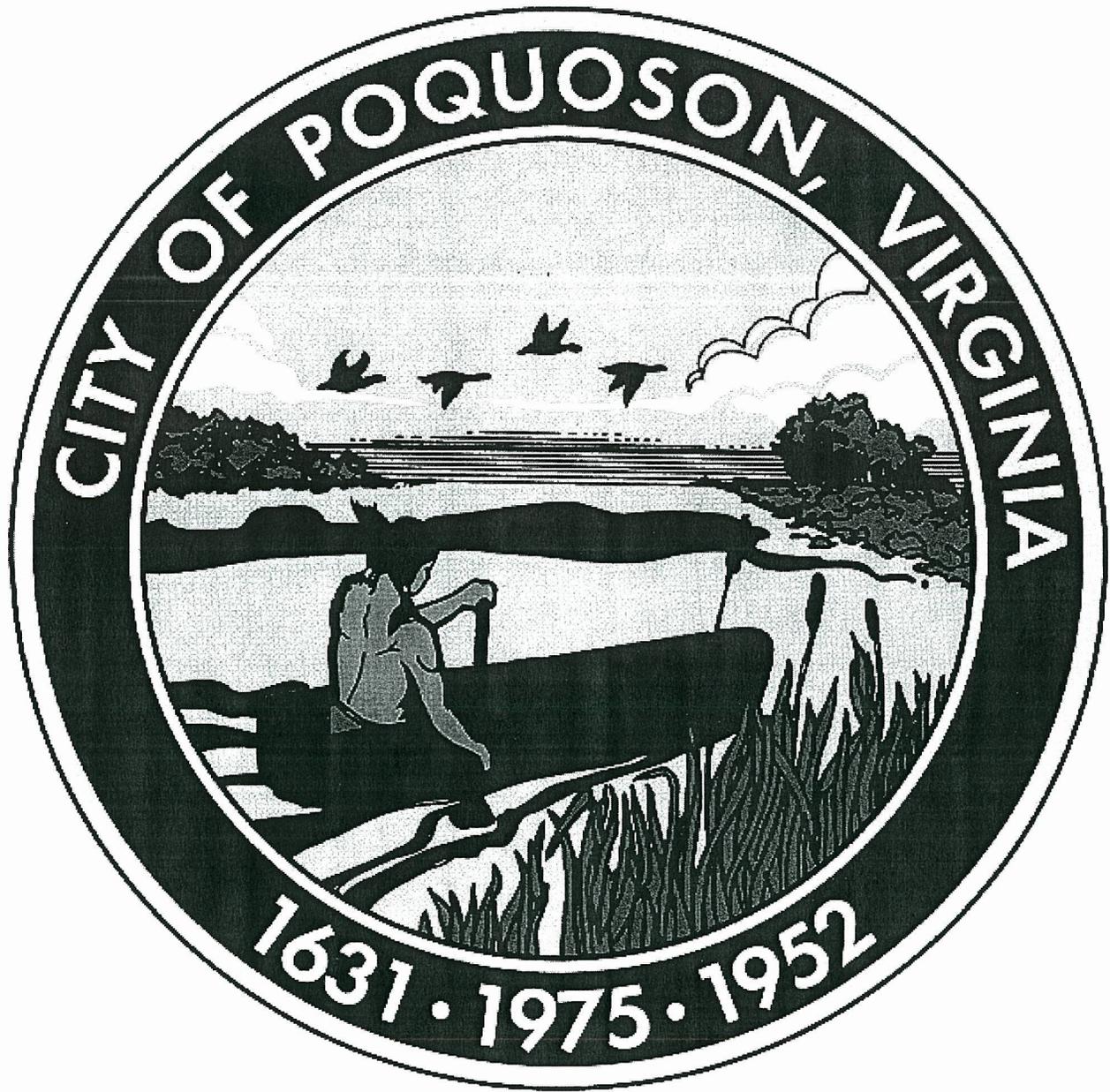
Last Ten Fiscal Years	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Function/Program										
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	23	23	23	21	21	20.9	21	21	21
Fire stations (2)	2	2	2	2	2	2	2	2	2	1
Refuse collection (3)	0	3	3	3	3	3	3	3	3	3
Collection trucks										
Other public works (3)										
Street (miles)	54.6	53.16	53.16	53.16	52.88	51.95	51.76	51.76	51.76	51.76
Streetlights	574	561	546	542	507	502	495	477	404	392
Traffic signals	4	4	4	3	3	3	3	3	3	3
Park and recreation (4)										
Acreage	48	48	46	39	38	31	31	31	31	31
Playgrounds	3	3	4	3	3	2	2	2	2	2
Baseball/softball diamonds	6	6	5	3	3	3	3	3	3	3
Soccer/football fields	6	6	5	5	5	5	5	5	5	5
Community centers	1	1	1	1	1	1	1	1	1	1
Wastewater (5)										
Sanitary sewers (miles)	64	64	64	64	64	63	54	54	52	47
Storm sewers (miles)	32(*)	16	16	16	15	14	13	12	10	9

(*) Includes driveway pipes not available in previous years

Sources:

- (1) City of Poquoson Police Department
- (2) City of Poquoson Fire Department
- (3) City of Poquoson Public Works Department
- (4) City of Poquoson Parks and Recreation Department
- (5) City of Poquoson Utilities Department

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COMPLIANCE SECTION



**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 Members of City Council
City of Poquoson, Virginia

We have audited the 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 (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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 discovered no instances of noncompliance and other matters that are required to be reported in accordance with *Government Auditing Standards*.

We did identify one matter of noncompliance with State compliance requirements which is described in the accompanying schedule of findings and questioned costs as finding 2009-1.

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

We noted certain other matters that we reported to management of the City in a separate letter dated December 4, 2009.

This report is intended solely for the information and use of the 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.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
December 4, 2009



***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 Members of City Council
City of Poquoson, Virginia

Compliance

We have audited the compliance of the City of Poquoson, Virginia (the “City”) 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, 2009. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in an entity'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 entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity'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 for the information of the 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.

Cherry, Bekant - Holland, L. L. P.

Virginia Beach, Virginia
December 4, 2009

City of Poquoson, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal granting agency/recipient state agency/grant Program/grant number	Federal CFDA Number	Federal Expenditures
U. S. Department of Agriculture		
Pass through payments		
Department of Agriculture and Consumer Services:		
National School Lunch Program	10.555	\$ 149,320
U.S. Department of Transportation		
Pass through payments		
Department of Motor Vehicles		
Alcohol Traffic Safety and Drunk Driving		
Prevention Incentive	20.607	24,597
Highway Planning and Construction (Tea 21 Grant)	20.205	1,090
U.S. Department of Education		
Direct payments		
Impact Aid	84.041	192,547
Foreign Language Grant	84.293	104,963
Pass through payments		
Virginia Department of Education		
Title I - Grants to local educational agencies	84.010	59,337
Improving teacher quality state grants	84.367	46,526
Title VI-B		
Assistance to states for education of handicapped children		
Special Education Grants	84.027	431,891
Vocational education-basic grants to states	84.048	5,557
State and Drug-free Schools and Communities	84.186	6,654
Preschool Handicapped	84.173	9,138
U.S. Department of Justice		
Direct payments		
COPS Fast Grant	16.710	30,000
U.S. Department of Housing and Urban Development		
Direct payments		
Community Development Block Grant	14.228	148,619
U.S. Department of Homeland Security		
Pass through payments		
Hazard Mitigation Plan Update	97.029	24,624
Hazard Mitigation Grant	97.039	300,538
Local Emergency Management Performance Grant	97.042	5,000
2006 Citizen Corps Program	97.053	6,501
2006 State Homeland Security Program	97.073	8,472
2007 State Homeland Security Program	97.073	3,477
U.S. Department of the Interior		
Direct payments		
Plum tree Island Refuge	15.611	3,539
		\$ 1,562,390

City of Poquoson, Virginia

Notes to Schedule of Expenditures of Federal Awards

June 30, 2009

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, 2009, the food service organization had food commodities totaling \$8,536 in inventory.

City of Poquoson, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

1. SUMMARY OF AUDITORS' RESULTS

- (a) The type of report issued on the basic financial statements: **Unqualified opinions**
- (b) Significant deficiencies in internal control were disclosed by the auditors of the financial statements:
No
Material weaknesses: **No**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **No**
Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (f) Major Programs:
 - Special Education Grants (CFDA No. 84.027)
 - Impact Aid Grant (CFDA No. 84.041)
 - Hazard Mitigation Grant (CFDA No. 97.039)
- (h) The dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) The auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **No**

City of Poquoson, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS

None

4. FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE

2009-1 Record-keeping of Highway Maintenance Expenditures

Criteria:

Costs reported on the annual Weldon Cooper Center Local Finance Survey must be allowable costs for the maintenance, construction, or reconstruction of eligible streets (Urban Manual). Part of the testing of allowability includes verifying that work is being done on streets that have been approved by the Department of Transportation.

Condition:

While performing our audit procedures to ensure compliance with the Highway Maintenance section 3-13 of the *Specifications for Audits of Counties, Cities and Towns*, we noted that the location of work being performed was not being recorded; therefore, we were unable to test that the street was an eligible street included on the Department of Transportation's listing of eligible streets (Urban inventory).

Cause:

The individual was not aware of the requirement to record the specific location of highway maintenance work being completed.

Effect:

Highway maintenance expenditures could be recorded for work performed on ineligible streets.

Recommendation:

We recommend that exact address and street locations be recorded for all highway maintenance work performed by the City.

Management Response:

Specific street addresses and locations will be recorded for all highway maintenance work performed by the City in the future.

City of Poquoson, Virginia

Summary Schedule of Prior Year Findings

Year Ended June 30, 2009

Finding 08-1

Condition: There is a lack of segregation of duties in adjusting journal entries. Specifically, two of the entries tested possessed the same individual as the 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.

Resolution: Corrected.

Finding 08-02

Condition: The State and Local Government Conflict of Interest 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: Two School Board statements of economic interest were not filed timely with the clerk of the governing body.

Resolution: Corrected.

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