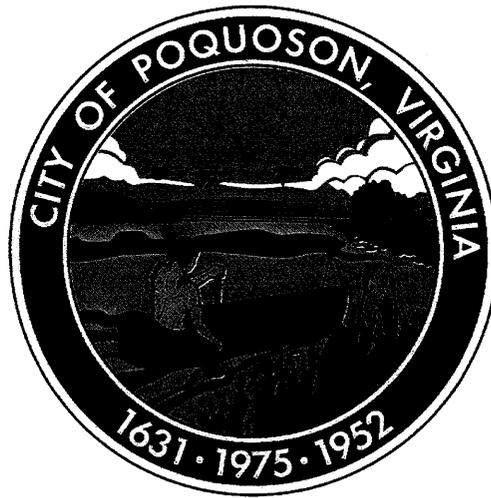


**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
CITY OF POQUOSON, VIRGINIA**



Fiscal Year Ended June 30, 2001

Prepared by:

***The Department of Finance
Pamela A. Moon, CPA, Director***

CITY OF POQUOSON, VIRGINIA

CITY COUNCIL

Gordon C. Helsel, Jr., Mayor
Roger N. Messier, Vice Mayor
Christopher E. Claud
Herbert R. Green, Jr.
Arthur V. Holloway, Jr.
W. Eugene Hunt, Jr.
Frank A. Kreiger

CITY OFFICIALS

Charles W. Burgess, Jr., City Manager
Pamela A. Moon, CPA, Director of Finance
Frances C. Firth, Treasurer
Graham P. Wilson, Commissioner of the Revenue
D. Wayne Moore, City Attorney
Judy F. Wiggins, City Clerk

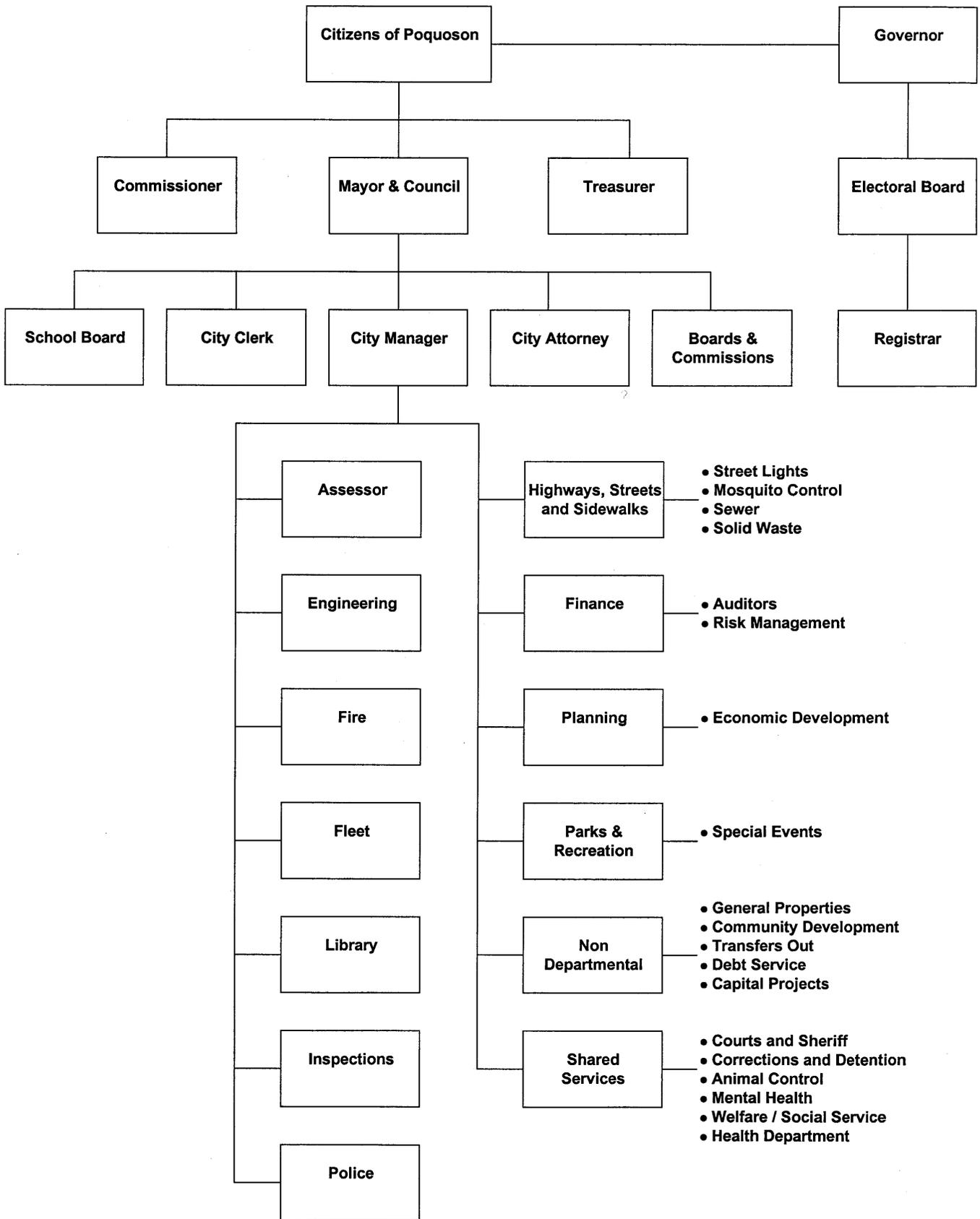
SCHOOL BOARD

Milton M. Katz, Chairman
D. Scott Bunting, Vice Chairman
S. Michael Evans
Carey L. Freeman
Charles L. French
James T. French
Larry E. Marks

SCHOOL OFFICIALS

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

CITY OF POQUOSON, VIRGINIA
CITY GOVERNMENT ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Poquoson,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

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.



Smith Brewer
President

Jeffrey L. Esser
Executive Director

CITY OF POQUOSON, VIRGINIA

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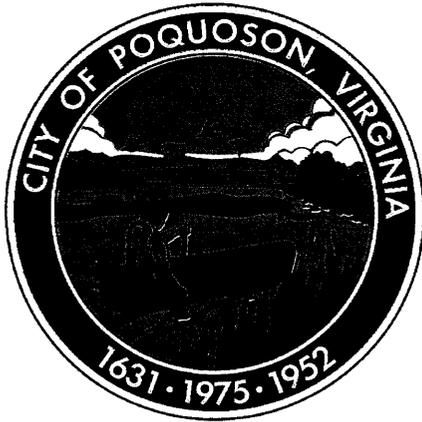
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City of Poquoson, Virginia

500 City Hall Avenue
Poquoson, Virginia 23662



- Introduction
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- Local Economic Condition and Outlook
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- Financial Overview
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Introduction

November 19, 2001

Honorable Mayor and City Council of Poquoson, Virginia:

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson (the "City") for the fiscal year ended June 30, 2001. The report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is prepared in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), and the Auditor of Public Accounts of the Commonwealth of Virginia.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups and the component units of the City of Poquoson. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections:

1. Introduction—This section, which is unaudited, includes this letter of transmittal, an organizational chart, a list of the City of Poquoson's principal officials, and the prior year's Certificate of Achievement for Excellence in Financial Reporting.

FISCAL YEAR JULY 1, 2000—JUNE 2001

Letter of Transmittal

2. Financial—This section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditors' report on the financial statements and schedules.
3. Statistical—This section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.
4. Compliance—This section contains the schedule of expenditures of federal awards and the independent auditors' reports on internal control and compliance with requirements applicable to grants. The City of Poquoson is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It also includes a report on compliance with the Commonwealth of Virginia laws, regulations, contracts, and grants.

Financial Reporting Entity and Its Structure

The financial reporting entity includes all funds and account groups of the City of Poquoson as well as its component units. The City provides a full range of services including emergency services, public works, recreational activities, library services, and community development activities. The City also owns and operates sewage facilities; collects trash, recycling, landscaping and bulky item pickup; owns and operates a City pool; and manages various paid recreational activities.

Blended component units, although legally separate entities, are in substance, part of the primary government's operations and are included as part of the primary government. The Industrial Development Authority (IDA) is considered a blended component unit and, accordingly, is reported as an enterprise fund of the primary government.

In addition to general governing activities, the governing body has significant financial influence over the Schools; therefore, school activities are included as a discretely presented component unit in this report. A discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government and to differentiate its financial position and results of operations from those of the primary government.

Accordingly, the following funds and entities are included in the City's Annual Report:

<u>Fund Types and Account Groups</u>	<u>Other Entities</u>
General	Poquoson School Board
Debt Service	(Discretely Presented Component
Capital Projects	Unit)
Enterprise	Industrial Development Authority
Internal Service	(Blended Component Unit)
Fiduciary Fund	
General Fixed Assets	
General Long-Term Obligations	

The City of Poquoson provides the following services to its citizens through shared services with the County of York:

Social Services
Administration of Justice
Sheriff Office
Court House and Court Activities

Government Structure

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

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

Virginia state statutes put Virginia schools under the dual control of the State Education Board and a local school board. The State Education Board provides operational procedures, standards of education, and state school aid formulas for partial funds. The locality must provide all capital improvement funds and 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.

Local Economic Condition and Outlook

Demographics

- Unemployment Rate 4.3%
- High Median Income
- Slow to Steady Population Growth
- Residential Nature
- Dependent on General Property Taxes

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. 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 married couple median adjusted gross income was \$58,371 for 1997 (latest available data). Hampton Roads economy has been strong for several years and has had a low unemployment rate. In 2000, the community had a 4.3% unemployment rate as compared to a statewide rate of 2.2% and a national average of 4.1%. The civilian labor force was 6,154 in 2000.

The City remains fiscally sound. Key economic indicators remain fairly consistent or reflect favorable changes. The 2000 Census population of 11,566 reflects growth of 5% since the 1990 Census.

2000 taxable sales of \$32,194,843 were up 2.7% from the 1999 level. The increase indicates an improvement in the retail and food industry.

Poquoson is primarily residential in nature and does not have a large commercial base affecting the local economy. Poquoson's close proximity to other cities has lessened the demand for large retail and commercial development, as citizens are able to do shopping and find jobs in neighboring cities. This puts a much higher burden on residents to fund the services of the City compared to neighboring cities who use businesses to fund part of the City services.

In excess of 80.5% of our local resources come from general property taxes when the norm for Virginia cities is 52.6%. Commercial property accounts for only 5.6% of total real estate.

The largest source of revenue to the City comes from the real estate tax revenue. Poquoson's real property tax rate for FY 2001 was \$1.12 per \$100 of assessed value. Poquoson has not increased the real estate tax rate since FY 1995, but has had increases in real estate tax revenue, primarily due to increased assessments and growth of new buildings in the City. In the past 5 years assessments on housing and commercial property, including tax exempt property, have increased by 25.8%. Total real property assessments at June 30, 2001 were \$721,546,098.

The biggest financial challenge to the City is to develop the business tax base in order to take some of the burden off residents, but progress has been slow. In 1996, the City embarked on a program of economic development in an undeveloped area called the "Big Woods" with the long-term goal of expanding the commercial tax base. This program included rezoning the area commercial, locating the new City Hall and Library in the center of this area, and extending water, sewer, electricity, gas, cable, telephone line, roads and parking to this area. While build out of this commercial area may take many years, FY 2001 was encouraging as a developer completed a strip mall and several businesses applied for building permits in the Big Woods area. The IDA has given priority to the development of the Big Woods area and is currently obtaining options on land and exploring ways to provide drainage to the area.

Personal property tax revenue is the second largest source of revenue in the City. The assessments in personal property have increased to \$78,188,175, up 38.0% in the past 5 years. Effective January 1, 1999 the State implemented the Personal Property Tax Relief Act (PPTRA). The State reimburses a portion of the personal property tax bill to the City, thus reducing the amount the taxpayer remits to the City. While PPTRA has not affected revenues, overall it has shifted some dollars from general property taxes to State non-categorical aid.

**General Property
Taxes Largest
Sources of Revenue**

- **Real Estate Rate
\$1.12 per \$100
Assessed Value**
- **Personnel
Property Tax
Rate \$3.85 per
\$100 Assessed
Value**

Major Initiatives and Accomplishments

The Capital Improvement Plan (CIP) has been updated for the past three years and has helped to guide the City for major capital initiatives. The City is in the process of updating the Comprehensive Plan, which addresses ways Poquoson will sustain itself as it heads into the 21st century. It provides strategies for preserving property rights and developing land use policies, providing governmental services and facilities,

encouraging economic development, and transportation needs of the City. The CIP, in combination with the Comprehensive Plan, should assist with determining and balancing long-term needs, setting priorities, and anticipating capital problems.

For the Year:

Major Initiatives

- Sewer Extension
- Fire Station #2
- Aerial/Pumper Fire Truck
- Refinance School VRS Debt
- IDA Economic Development Projects

Sewer extension continued to be the biggest initiative of the City of Poquoson during FY 2001. The project will extend sewer to approximately 560 households and will result in sewer being available to all existing households on public rights-of-way in the City. During FY 2001, the construction of the sewer line was completed and significant progress was made on the new pump stations.

The City also funded other capital improvements during the year with a transfer to the Capital Projects Fund in the amount of \$611,770. The funding from the General Fund provided funds for roads, school construction, construction on a new fire station, and vehicle replacement in the City. The City also funded \$360,345 for IDA projects.

During FY 2001, the City completed construction on the Poquoson Fire Station #2. This 3-bay brick station is located in the Western part of the City and was completed in January 2001. Historically the Poquoson Fire Station #1 served the entire City. The second station will improve response time in the Western residential and commercial district of the City. The Fire Department also purchased an aerial and pumper fire truck.

The City refinanced the School's Virginia Retirement System debt, creating a large savings in future debt service.

The IDA is responsible for promoting industry and developing trade by inducing private enterprises to remain in or relocate to the City. The IDA had several initiatives during the year, including the purchase of 5 acres of land in the Big Woods and continuing construction of a new road for a commercial development site.

For the Future

The City of Poquoson has made significant plans to improve the navigation, access and use of the Messick Point area. To improve navigation, the City and Army Corps of Engineers will dredge a channel from the main Back River to Messick Point. The dredge and a turning basin have been bid and should be complete by this winter.

The City is in the process of demolishing three dilapidated piers in the Messick Point area and replacing one of the piers. The City is also applying for grants to improve boat ramps, parking, and landscaping in the Messick Point area.

As the sewer extension project nears completion, engineering plans are being drawn to rehabilitate several pump stations in need of repair.

In January 2002, the City plans to make additional market adjustments to employees' salaries in an attempt to bring them closer to neighboring communities.

The City plans to issue bank qualified debt in early 2002 to pay for larger equipment needs and to fund other needed projects for the City.

The Police Department is planning to replace their Incident Based Reporting (IBR) System and computer aided design.

The Fire Department has plans for a major renovation of Fire Station #1.

The IDA continues to obtain options on land in the Big Woods in hope that land can be purchased for retention ponds in that area.

The School Board is planning needed building improvements and/or building of new schools. These needed school projects could cost up to \$30,000,000 and would require debt issuances to pay for them. Because of the significance in planning for these projects, it is not expected that design will begin until FY 2003.

Departmental and Service Accomplishments

The City accomplished many significant goals in FY 2001. The Commissioner of Revenue's office undertook several initiatives to improve assessments of business licenses, meals tax, and personal property on boats, resulting in improved revenues.

The City created a Community Relations Department which worked on improving city service information sent to citizens of Poquoson. The newly formed department prepared a Poquoson Business Directory.

The City of Poquoson Schools continue to have a high percentage of high school graduates pursue post secondary education and maintain some of the highest standardized test scores in the State.

For the Future

- Messick Point Improvements
- Police IBR System
- IDA retention ponds
- School buildings

Financial Overview

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

Controls

- Auditors tests of controls produced no findings
- Budgetary Controls

Single Audit:

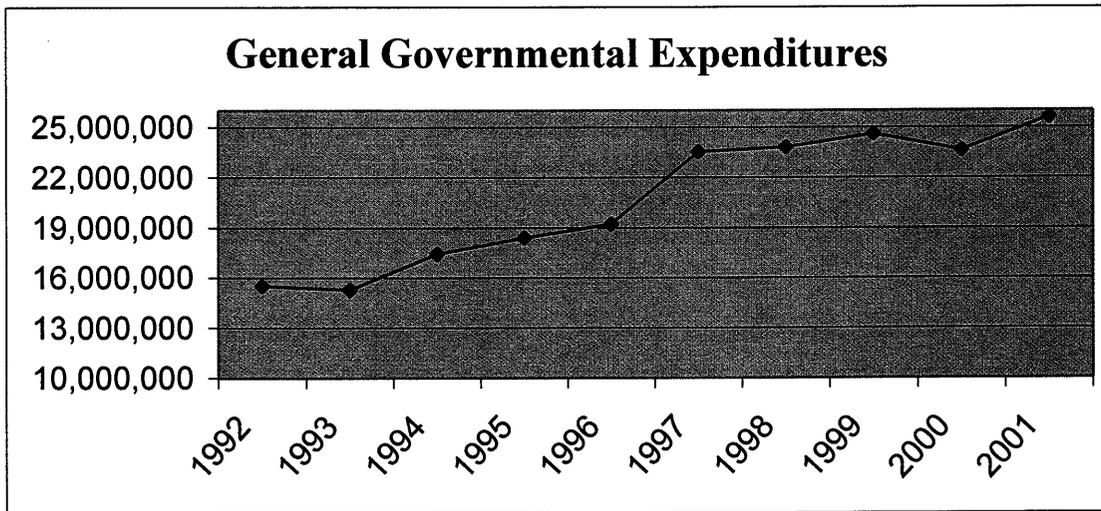
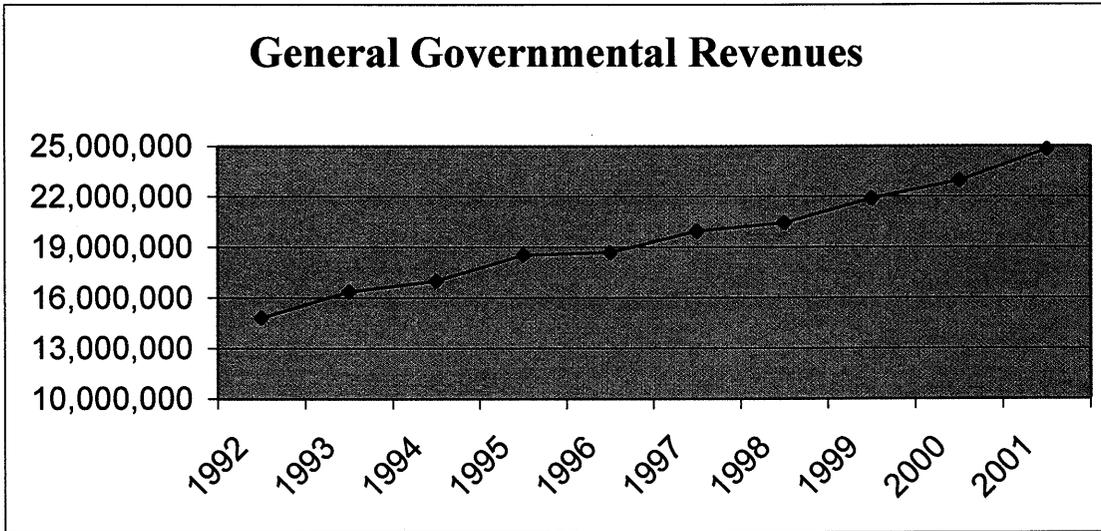
As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal controls including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City single audit for the fiscal year ended June 30, 2001, indicated no instances of material weaknesses in internal controls or significant violations of applicable laws and regulations.

Budgetary Controls:

In addition to internal controls, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total expenditure level of each department. 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.

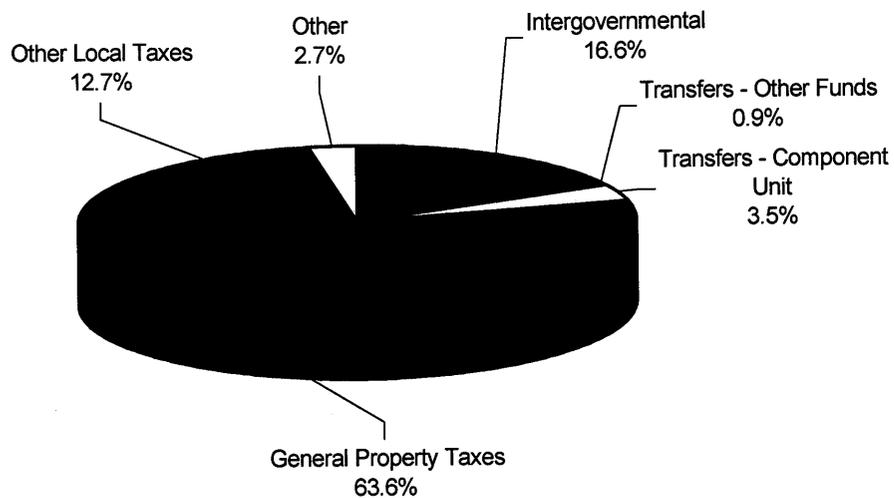
As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.



Amounts include general, special revenue (school), debt service and capital project funds.

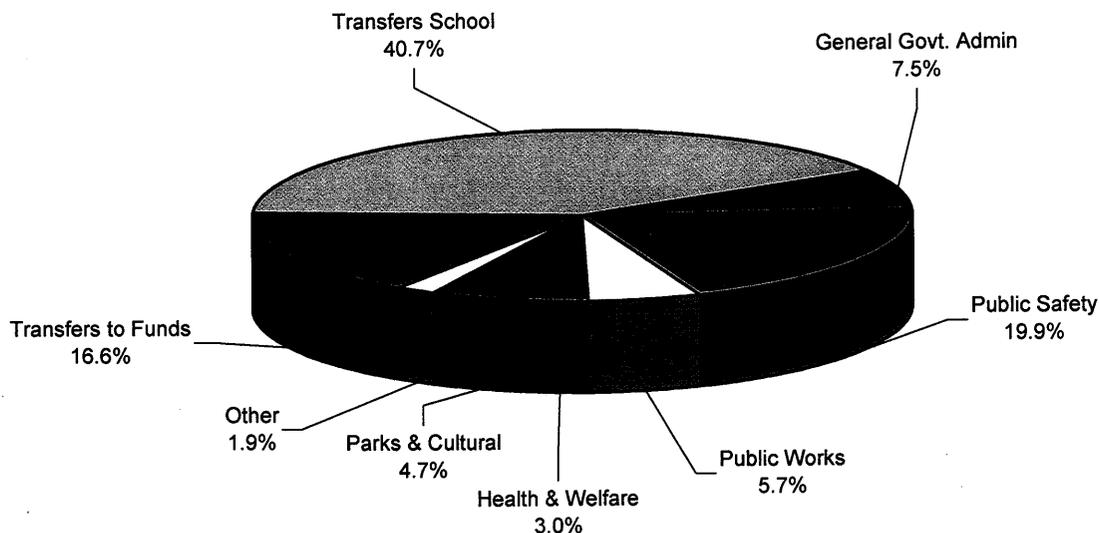
**General Fund
Revenue and Other Financing Sources
FY 2001**

Revenues & Other	June 30, 2001	Percent	June 30, 2000	Increase (Decrease)	Percent of Increase
General Property Taxes	\$9,921,498	63.6 %	\$9,247,685	\$673,813	7.3 %
Other Local Taxes	1,984,354	12.7	1,890,427	93,927	5.0
Permits, Licenses & Fees	108,412	0.7	100,194	8,218	8.2
Fines & Forfeitures	25,448	0.2	35,957	(10,509)	(29.2)
Interest & Rent	226,465	1.5	208,543	17,922	8.6
Charges For Service	28,980	0.2	28,360	620	2.2
Intergovernmental	2,581,883	16.6	2,030,440	551,443	27.2
Miscellaneous	26,111	0.1	22,710	3,401	15.0
Transfers - Other Funds	142,000	0.9	140,000	2,000	1.4
Transfers - Component Unit	547,963	3.5	375,190	172,773	46.0
TOTAL	\$15,593,114	100.0%	\$14,079,506	\$1,513,608	10.8%



**General Fund
Expenditures and Other Uses By Category
FY 2001**

Expenditures &	June 30, 2001	Percent	June 30, 2000	Increase (Decrease)	Percent of Increase
General Government Admin	\$1,172,028	7.5%	\$1,149,086	\$22,942	2.0%
Public Safety	3,092,622	19.9	2,943,894	148,728	5.1
Public Works	889,179	5.7	983,878	(94,699)	(9.6)
Health & Welfare	464,380	3.0	448,376	16,004	3.6
Parks, Recreation & Cultural	730,150	4.7	663,220	66,930	10.1
Community Development	258,403	1.7	262,813	(4,410)	(1.7)
Non-departmental	35,366	0.2	44,668	(9,302)	(20.8)
Transfers - Debt Service	1,446,818	9.3	1,413,473	33,345	2.4
Transfers - Capital Projects	611,770	3.9	515,099	96,671	18.8
Transfers - Other Funds	165,040	1.1	134,000	31,040	23.2
Transfers - Schools	6,333,720	40.7	5,596,537	737,183	13.2
Transfers - IDA	360,345	2.3	0	360,345	n/a
TOTAL	\$15,559,821	100.0%	\$14,155,044	\$1,404,777	9.9%



General Government Functions:

The schedules and charts on the previous pages present a summary of General Fund revenues and expenditures.

General Fund revenues and transfers in for the fiscal year ended June 30, 2001 totaled \$15,593,114, an increase of \$1,513,608 or 10.8%.

General property taxes account for the largest amount of revenue to the City. They consist of real property taxes, public service corporation property taxes, personal property taxes, and penalties and interest.

General Fund Revenue
 • **\$15,593,114**

	<u>FY 2001</u>	<u>FY 2000</u>
Real estate	\$8,120,847	\$7,224,688
Public service	168,564	165,801
Personal property	1,495,673	1,735,218
Penalties & interest	<u>136,414</u>	<u>121,978</u>
	<u>\$9,921,498</u>	<u>\$9,247,685</u>

Real estate tax revenue increased 12.4% or \$896,159 due to reassessment and growth in the City. The City assesses biennially and FY 2001 was a reassessment year.

Personal property revenue decreased 13.8%, or \$239,545. While assessments on personal property continued to increase, the Personal Property Tax Relief Act (PPTRA) was implemented in January 1999. This shifted \$1,106,555 and \$667,497 from personal property taxes to State non-categorical aid in FY 2001 and FY 2000, respectively. The State PPTRA was enacted to give citizens a tax break on their personal property tax. The State's plan reduced the amount of personal property tax by 72.0% and 47.5% in calendar years 2001 and 2000, respectively.

Although general property taxes decreased due to PPTRA, State non-categorical aid increased. Overall the combined personal property taxes and State non-categorical aid from PPTRA revenue increased by 8.3%, or \$199,513 due to the increase in assessments.

	<u>FY 2001</u>	<u>FY 2000</u>
Personal Property Tax	\$1,495,673	\$1,735,218
PPTRA	<u>1,106,555</u>	<u>667,497</u>
	<u>\$2,602,228</u>	<u>\$2,402,715</u>

Other local taxes had a 5.0% increase over the prior year. This is attributed to a strong economy and growth in businesses in the City. The City saw increases in sales and use taxes, meals taxes, consumer utility taxes, and business license tax.

Building permits decreased by 9.6% over prior year. FY 2000 had a large subdivision, which brought a larger amount of permit revenue that year.

Fines and forfeitures decreased by 29.2%. This account varies from year to year and FY 2000 was unusually high.

Interest and rent increased by 8.6%, or \$17,922 in FY 2001. The main increase was in interest due to a slightly improved cash balance and interest rates.

Intergovernmental increased by 27.2% or \$551,443. Much of the increase came from the State due to the enactment of PPTRA. The State also had larger contributions for highways and libraries than in the past. Amounts from the Federal government also saw increases for one-time grants to the library and public safety.

Transfers from the school component unit increased by 46.0% or \$172,773. This transfer represents unspent School funds at year-end and money that the schools received from the State that was transferred to the City to pay for school debt service. In FY 2001, the Schools received \$294,162 in State construction funds and \$134,203 in lottery funds. These funds can be used for school debt service and school construction projects. In FY 2000, the Schools received \$271,470 in State construction funds and \$155,847 in lottery funds; however, the lottery funds were recorded in the Capital Projects Fund. The Schools are required to return unspent School funds at year-end to the City. The Schools returned \$119,598 and \$103,720 to the City for FY 2001 and FY 2000, respectively.

The Expenditures and other uses in the General Fund totaled \$15,559,821 in FY 2001, an overall increase of \$1,404,777, or 9.9%.

General government administration increased by 2.0%, or \$22,942 due to increases in salaries.

5.1%, or \$148,728 increase in public safety expenditures was mainly due to fire and police salary increases and increases in adult and juvenile detention.

**General Fund
Expenditures**

• **\$15,559,821**

The 9.6% decrease in public works was mainly due to vacancies in positions in FY 2001 and decrease in capital outlay purchases.

Parks, recreation and cultural expenses increased by 10.1% due to salary increases, additional park maintenance costs, and additional library book purchases due to State funds increasing.

Non-departmental expenditures experienced a 20.8% decrease. This was due to a conscious effort by City management not to spend money set aside in the contingency account

Transfers to debt service increased by 2.4% in FY 2001 and are legal obligations. The 18.8% or \$96,671 increase in transfers to Capital Projects is due to budgeted expenditures for Messick Point dredging, equipment purchases, economic development and other capital projects.

The transfer to school operations continues to be the City's largest expenditure. The \$737,183 or 13.2% increase represents additional funds used by the Schools for operations, building improvements and technology.

General Fund Balance

The fund balance of the General Fund for the year ended June 30, 2001 was \$4,095,293, an increase of \$33,293 or 0.8%. Undesignated fund balance of the General Fund for the year ended June 30, 2001, was \$3,946,030, a decrease of 2.5% from the prior year. The undesignated fund balance provides the City with a fund balance that is the equivalent of approximately 96 working days of expenditures for the General Fund. The fund balance is used to meet emergencies, provide a source of cash flow in order to avoid short-term borrowing, generate interest on investments, and provide funds for capital and other one time needs.

Capital Projects Fund

The Capital Projects Fund accounts for acquisition or construction of major City and School capital facilities. In FY 2001 financing sources included a \$611,770 transfer from the General Fund. Capital Projects revenues had \$333,959 in revenue from the State for highway projects and a Virginia Port Authority grant.

Capital outlays in Capital Projects totaled \$1,558,824. The Capital Projects Fund transferred \$100,000 to the IDA component unit to pay for economic development projects undertaken by the IDA.

As provided in the City Charter, funding for items included in the Capital Projects Fund do not lapse until the project is accomplished or abandoned. Any project shall be deemed to have been abandoned after three fiscal years lapse without any expenditures

At the end of the fiscal year, completed projects, which should be capitalized, are transferred to the General Fixed Assets Account Group. Streets, sidewalks, curbs, gutters, parking lots, drainage systems, and lighting systems are infrastructures normally immovable and of value only to the governmental unit. Therefore, these items are not transferred to the General Fixed Assets Account Group. The \$423,686 fund balance in the Capital Projects Fund as of June 30, 2001 includes \$457,695 reserved for encumbrances and \$34,009 deficit. The deficit is due to expenditures that were incurred that will be reimbursed by a note issue in early 2002, thus eliminating the deficit.

General Fixed Assets

The general fixed assets of the City are those assets used in the performance of general government functions and exclude the fixed assets of Enterprise and Internal Service Funds. As of June 30, 2001, the general fixed assets of the City amounted to \$12,234,078. The general fixed assets of the School's component unit amounted to \$21,508,608. These amounts represent the historical cost or estimated historical cost (if actual historical cost is not available), or in the case of gifts and contributions, the estimated fair market value at the time of the gift or contribution. In FY 2001, the School Board hired an appraisal company to inventory the fixed asset system. The result of the inventory was an increase of \$1,647,113 in fixed assets. Depreciation of general fixed assets is not recognized in the City's accounting system; however, the City does recognize depreciation on fixed assets of the Enterprise and Internal Service Funds.

Enterprise Operations

The City's enterprise operations are comprised of three separate and distinct activities: the Sewer Operations Fund, the Parks and Recreation Fund and the Solid Waste Fund. The IDA, which is a blended component unit, is also presented as an enterprise operation.

Enterprise Operations

- Sewer Net Loss
- \$(107,813)
- Parks and Recreation Net Loss \$(8,364)
- Solid Waste Net Income \$16,422
- IDA Net Income \$409,546

The Sewer Operation Fund operates and maintains the City's sanitary sewer system. The City is in the process of extending sewer to the remaining sections of the City. To provide the necessary resources of the repayment of debt issued to make these improvements, the City charged users a sewer assessment of \$54 per household per quarter in FY 2001. Businesses paid \$54 plus \$1.25 per one hundred cubic feet of water used each quarter. These quarterly charges provided the Sewer Fund with \$867,479 in operating revenue during FY 2001. The Sewer Operation Fund had a net loss of \$107,813 during the year. The losses were anticipated and relate to the revenues not being able to fully cover the charge of depreciation.

The Parks and Recreation operations continue to provide quality recreational services to the community. Parks and Recreation received \$332,996 for services and made \$92,101 in funds to support festival activities during the year. In FY 2001, the Parks and Recreation Fund had a net loss of \$8,364. This fund continues to be monitored closely and user fees are constantly examined in an effort to eliminate deficits.

The Solid Waste Fund is supported by user fees and General Fund transfers to cover bulky item pickup. This fund accounts for the revenues and expenditures associated with the collection, disposal and/or recycling of household and municipal waste, bulky items and landscaping debris. The majority of revenues come from bag fees. The City uses a pay-by-the-bag program and sold bags for \$1.65 per bag in FY 2001, bringing \$256,824 in revenues. In FY 2001, net income was \$16,422. The accumulation of retained earnings in the Solid Waste Fund is intentional and will be used to replace trash and debris trucks.

The IDA is currently supported by transfers from the General Fund and the Capital Projects Fund. The majority of funds were used for the acquisition of land and construction of a road in a development. The IDA also incurred expenses for drainage and wetland studies and other incidental expenses. The fund had a net income of \$409,546.

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the past two years is presented on the following page:

Net Direct Tax Supported Debt—Including Enterprise Funds

	<u>FY 2001</u>	<u>FY 2000</u>
Net direct bonded debt	\$27,222,580	\$22,063,804
Ratio of outstanding direct debt to assessed value	3.30%	3.01%
Net debt per capita	\$2,354	\$1,908

Net Direct Tax Supported Debt—General Government Obligation

	<u>FY 2001</u>	<u>FY 2000</u>
Net direct bonded debt	\$14,536,070	\$13,818,890
Ratio of outstanding direct debt to assessed value	1.78%	1.89%
Net debt per capita	\$ 1,257	\$1,195

Total outstanding general obligation debt at June 30, 2001 was \$27,222,580, of which \$12,686,510 in bonds for the sewer system is considered to be self-supporting in the Sewer Operations Fund. The remainder of \$14,536,070 is considered to be net direct tax supported debt. Included in the total is \$8,385,678 in bonds and \$6,150,392 in State Literary Loan funds.

Cash Management

The primary government maintains one centralized bank account for the operation of all funds with the exception of the Sewer Fund, the Library Building Agency Fund, and the School component unit, which have separate accounts. All of the City's cash is deposited with the City Treasurer, an elected officer, who is responsible for investing all City funds. City cash is invested primarily in overnight repurchase agreements, the Local Government Investment Pool and other short-term investments permissible under the Virginia Public Investment Act. The amount of interest earned during the year by the General Fund was \$178,196. The City also has cash with the fiscal agent and restricted cash and investments that are monitored by the Finance Department and used for the payment of bond projects. At June 30, 2001, the various cash balances included cash on hand, investments and cash on deposit in banks in the amount of \$5,955,861 for the City and \$1,825,185 for the Schools.

Risk Management

The City maintains liability and workers compensation coverage through the Virginia Municipal Group Self-Insurance Association (VMGSIA). This is a non-profit, tax exempt association of Virginia local political subdivisions. Local political subdivisions of the Commonwealth of Virginia eligible to participate in the program include cities, towns, counties, school systems and other local government agencies. The City also maintains certain other types of coverage, including law enforcement liability and public officials liability.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The City Charter requires an annual audit of the financial records to be performed by independent certified public accountants selected by the City Council. The firm of Goodman & Company, L.L.P. has been contracted to audit all of the fund accounts and records of the City. Their report for the year ended June 30, 2001 is included. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's Government Standards were used by the auditors in conducting the engagement. The auditors' report on general-purpose financial statements and schedules is included in the financial section of this report. The auditors' reports, relating specifically to the single audit, are included in the compliance section.

Certificate of Achievement

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, 2000.

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 generally accepted accounting principles and applicable legal requirements.

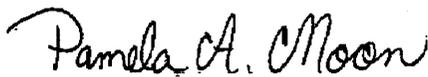
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The government also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated May 8, 2000. 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.

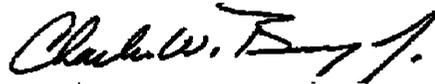
Acknowledgments

We would like to express our appreciation for the dedicated efforts of the employees of the Finance Department, the School Board Finance Department, the Treasurer's Office and to our Certified Public Accountants, Goodman & Company, L.L.P. for their cooperation and assistance in keeping us in conformity with rapidly changing accounting interpretations and principles. Due credit should also be given to City Council for their interest and support in planning and conducting the operations of the City of Poquoson in a responsible and progressive manner.

Respectfully submitted,



Pamela A. Moon, CPA
Director of Finance



Charles W. Burgess, Jr.
City Manager



CPAs | Consulting | Financial Advisors | Information Technology

There's power in our numbers.

REPORT OF INDEPENDENT AUDITORS

The Honorable Mayor and City Council
City of Poquoson, Virginia

We have audited the accompanying general-purpose financial statements of the **City of Poquoson, Virginia** (the "City") and the combining, individual fund, account group and component unit financial statements of the City as of and for the year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining, individual fund, account group and component unit financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds, account groups and component unit of the City, as of June 30, 2001, and the results of operations of such funds and the cash flows of the individual proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 4, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

739 Thimble Shoals Boulevard, Building 1000, Suite 1008, Newport News, VA 23606-3585
ph: 757.873.1033 fax: 757.873.1106 www.goodmanco.com

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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City taken as a whole, and on the combining, individual fund, account group and component unit financial statements. The accompanying financial information listed as supplementary schedules in the Table of Contents, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose, combining, individual fund, account group and component unit financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements and each of the respective combining, individual fund, account group and component unit financial statements taken as a whole.

The statistical schedules listed in the Table of Contents are not a required part of the basic financial statements of the City, and we did not audit or apply limited procedures to such information. Accordingly, we do not express any assurance on such information.

A handwritten signature in cursive script that reads "Goodman & Company". The signature is written in black ink and is positioned above the typed name and date.

Newport News, Virginia
October 4, 2001

GENERAL-PURPOSE FINANCIAL STATEMENTS

CITY OF POQUOSON, VIRGINIA

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2001

	Governmental Fund Types	
	General	Capital Projects
ASSETS AND OTHER DEBITS		
Cash and cash equivalents	\$ 3,722,173	\$ 379,759
Property taxes receivable - net	521,345	-
Utility taxes receivable	49,285	-
Other receivables	39,165	-
Notes receivable	-	-
Due from other funds	8,972	-
Due from component unit	121,799	-
Due from other governmental units	243,995	134,570
Prepaid items	2,975	-
Inventory	-	-
Restricted assets - cash and cash equivalents	-	-
Fixed assets - net of accumulated depreciation, if applicable	-	-
Other assets	-	-
Amount to be provided for retirement of general long-term obligations	-	-
Total assets and other debits	\$ 4,709,709	\$ 514,329
LIABILITIES, FUND EQUITY AND OTHER CREDITS		
Liabilities		
Accounts payable and accrued liabilities	\$ 215,098	\$ 90,643
Accrued compensated absences	-	-
Due to other funds	-	-
Due to primary government	-	-
Amounts held for others	-	-
Deferred revenue	399,318	-
General obligation bonds payable - current	-	-
General obligation bonds payable	-	-
State Literary Fund loans payable	-	-
Total liabilities	614,416	90,643
Fund equity and other credits		
Investment in general fixed assets	-	-
Contributed capital	-	-
Retained earnings (deficit) - unreserved	-	-
Fund balances:		
Reserved for encumbrances	146,288	457,695
Reserved for inventory	-	-
Reserved for prepaid items	2,975	-
Unreserved and undesignated	3,946,030	(34,009)
Total fund equity and other credits	4,095,293	423,686
Total liabilities, fund equity and other credits	\$ 4,709,709	\$ 514,329

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-term Obligations	Primary Government	School Board	Reporting Entity
\$ 1,484,328	\$ 38,219	\$ 54,747	\$ -	\$ -	\$ 5,679,226	\$ 1,825,185	\$ 7,504,411
-	-	-	-	-	521,345	-	521,345
-	-	-	-	-	49,285	-	49,285
262,150	95	-	-	-	301,410	12,802	314,212
57,583	-	-	-	-	57,583	-	57,583
-	-	-	-	-	8,972	-	8,972
-	-	-	-	-	121,799	-	121,799
-	-	-	-	-	378,565	481,371	859,936
11,206	-	-	-	-	14,181	-	14,181
5,671	6,672	-	-	-	12,343	4,469	16,812
276,635	-	-	-	-	276,635	-	276,635
17,887,712	33,648	-	12,234,078	-	30,155,438	21,508,608	51,664,046
98,409	-	-	-	-	98,409	-	98,409
-	-	-	-	14,735,273	14,735,273	96,716	14,831,989
\$ 20,083,694	\$ 78,634	\$ 54,747	\$ 12,234,078	\$ 14,735,273	\$ 52,410,464	\$ 23,929,151	\$ 76,339,615
\$ 746,725	\$ 6,983	\$ -	\$ -	\$ -	\$ 1,059,449	\$ 1,562,057	\$ 2,621,506
9,852	6,510	-	-	199,203	215,565	96,716	312,281
8,972	-	-	-	-	8,972	-	8,972
-	-	-	-	-	-	121,799	121,799
-	-	54,747	-	-	54,747	269,632	324,379
-	-	-	-	-	399,318	20,411	419,729
539,613	-	-	-	-	539,613	-	539,613
12,146,897	-	-	-	8,385,678	20,532,575	-	20,532,575
-	-	-	-	6,150,392	6,150,392	-	6,150,392
13,452,059	13,493	54,747	-	14,735,273	28,960,631	2,070,615	31,031,246
-	-	-	12,234,078	-	12,234,078	21,508,608	33,742,686
6,076,856	96,114	-	-	-	6,172,970	-	6,172,970
554,779	(30,973)	-	-	-	523,806	-	523,806
-	-	-	-	-	603,983	321,507	925,490
-	-	-	-	-	-	4,469	4,469
-	-	-	-	-	2,975	-	2,975
-	-	-	-	-	3,912,021	23,952	3,935,973
6,631,635	65,141	-	12,234,078	-	23,449,833	21,858,536	45,308,369
\$ 20,083,694	\$ 78,634	\$ 54,747	\$ 12,234,078	\$ 14,735,273	\$ 52,410,464	\$ 23,929,151	\$ 76,339,615

The accompanying notes are an integral part of these financial statements.

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CITY OF POQUOSON, VIRGINIA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2001

	Governmental Fund Types			Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Debt Service	Capital Projects	Primary Government	School Board	Reporting Entity
Revenue						
General property taxes	\$ 9,921,498	\$ -	\$ -	\$ 9,921,498	\$ -	\$ 9,921,498
Other local taxes	1,984,354	-	-	1,984,354	-	1,984,354
Permits, privilege fees and regulatory licenses	108,412	-	-	108,412	-	108,412
Fines and forfeitures	25,448	-	-	25,448	-	25,448
Revenue from use of money and property	226,465	-	-	226,465	219	226,684
Charges for services	28,980	-	-	28,980	327,016	355,996
Intergovernmental	2,581,883	-	333,959	2,915,842	9,082,241	11,998,083
Miscellaneous	26,111	-	-	26,111	136,825	162,936
Total revenue	14,903,151	-	333,959	15,237,110	9,546,301	24,783,411
Expenditures						
Current:						
General government and administration	1,172,028	-	-	1,172,028	-	1,172,028
Public safety	3,092,622	-	-	3,092,622	-	3,092,622
Public works	889,179	-	-	889,179	-	889,179
Health and welfare	464,380	-	-	464,380	-	464,380
Education	-	-	-	-	15,100,371	15,100,371
Parks, recreation and cultural	730,150	-	-	730,150	-	730,150
Community development	258,403	-	-	258,403	-	258,403
Nondepartmental	35,366	-	-	35,366	-	35,366
Capital outlays	-	-	1,558,824	1,558,824	8,515	1,567,339
Debt service:						
Principal retirement	-	855,248	-	855,248	615,121	1,470,369
Interest and fiscal changes	-	591,570	-	591,570	98,390	689,960
Total expenditures	6,642,128	1,446,818	1,558,824	9,647,770	15,822,397	25,470,167
Excess (deficiency) of revenue over expenditures	8,261,023	(1,446,818)	(1,224,865)	5,589,340	(6,276,096)	(686,756)
Other financing sources (uses)						
Operating transfers from:						
Primary government	-	-	-	-	6,981,148	6,981,148
Component unit	547,963	-	-	547,963	-	547,963
Note proceeds	-	647,428	-	647,428	-	647,428
Interest income	-	-	7,494	7,494	-	7,494
Sale of equipment	-	-	11,533	11,533	-	11,533
Bond proceeds	-	-	925,000	925,000	-	925,000
Operating transfers to:						
Primary government	-	-	-	-	(547,963)	(547,963)
Component unit	(6,333,720)	(647,428)	-	(6,981,148)	-	(6,981,148)
Other operating transfers in	142,000	1,446,818	611,770	2,200,588	47,749	2,248,337
Other operating transfers out	(2,583,973)	-	(100,000)	(2,683,973)	(47,749)	(2,731,722)
	(8,227,730)	1,446,818	1,455,797	(5,325,115)	6,433,185	1,108,070
Excess of revenue and other financing sources over expenditures and other financing uses	33,293	-	230,932	264,225	157,089	421,314
Fund balances - July 1, 2000	4,062,000	-	192,754	4,254,754	192,839	4,447,593
Fund balances - June 30, 2001	\$ 4,095,293	\$ -	\$ 423,686	\$ 4,518,979	\$ 349,928	\$ 4,868,907

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND AND DISCRETELY
 PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2001

	General Fund			Component Unit		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
General property taxes	\$ 9,071,675	\$ 9,921,498	\$ 849,823	\$ -	\$ -	\$ -
Other local taxes	1,893,530	1,984,354	90,824	-	-	-
Permits, privilege fees, and regulatory licenses	99,000	108,412	9,412	-	-	-
Fines and forfeitures	34,200	25,448	(8,752)	-	-	-
Revenue from use of money and property	188,000	226,465	38,465	-	-	-
Charges for services	27,447	28,980	1,533	48,874	18,910	(29,964)
Intergovernmental:						
Commonwealth of Virginia	2,846,584	2,488,640	(357,944)	8,151,526	8,390,362	238,836
Federal	95,855	93,243	(2,612)	689,924	652,161	(37,763)
Miscellaneous	12,875	26,111	13,236	154,973	122,245	(32,728)
Total revenue	14,269,166	14,903,151	633,985	9,045,297	9,183,678	138,381
Expenditures						
Legislative	75,893	75,885	8	-	-	-
General and financial administration	1,055,586	1,026,209	29,377	-	-	-
Board of elections	91,919	85,850	6,069	-	-	-
Public safety	3,188,766	3,108,479	80,287	-	-	-
Public works	984,870	909,110	75,760	-	-	-
Health and welfare	537,592	485,110	52,482	-	-	-
Parks, recreation, and cultural	736,864	736,505	359	-	-	-
Community development	276,002	255,732	20,270	-	-	-
Education	-	-	-	15,967,395	15,569,114	398,281
Nondepartmental	60,958	41,766	19,192	-	-	-
Total expenditures	7,008,450	6,724,646	283,804	15,967,395	15,569,114	398,281
Excess (deficiency) of revenue over expenditures - budgetary basis	7,260,716	8,178,505	917,789	(6,922,098)	(6,385,436)	536,662
Other financing sources (uses)						
Operating transfers from:						
Primary government	-	142,000	142,000	6,981,148	6,981,148	-
Component unit	572,267	547,963	(24,304)	-	-	-
Operating transfers to:						
Primary government	(2,633,196)	(2,583,973)	49,223	-	(547,963)	(547,963)
Special revenue-component unit	-	-	-	(59,050)	(47,749)	11,301
Component unit	(6,333,720)	(6,333,720)	-	-	-	-
Total other financing sources (uses)	(8,394,649)	(8,227,730)	166,919	6,922,098	6,385,436	(536,662)
Deficiency of revenue and other financing sources over expenditures and other financing uses - budgetary basis	(1,133,933)	(49,225)	\$ 1,084,708	-	-	\$ -
Net appropriation from fund balance	1,133,933			-		
Budget - excess of revenue, other financing sources, and appropriation from fund balances over expenditures and other financing uses	\$ -			\$ -		
Less: Encumbrances outstanding June 30, 2000, actually expended as of June 30, 2001		(58,626)			(156,138)	
Add: Encumbrances outstanding June 30, 2001		141,144			321,507	
Excess of revenue and other financing sources over expenditures and other financing uses, GAAP basis		33,293			165,369	
Fund balances - July 1, 2000		4,062,000			156,138	
Fund balances - June 30, 2001		\$ 4,095,293			\$ 321,507	

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS (DEFICIT)
ALL PROPRIETARY FUND TYPES**

Year Ended June 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise Funds	Internal Service Fund	
Operating revenue			
Charges for services	\$ 1,457,299	\$ 517,170	\$ 1,974,469
Festivals	92,101	-	92,101
Miscellaneous	16,290	-	16,290
Total operating revenue	1,565,690	517,170	2,082,860
Operating expenses			
Personnel services	392,708	163,054	555,762
Contractual services	262,468	45,370	307,838
Materials and supplies	144,433	250,767	395,200
Depreciation and amortization	266,091	8,453	274,544
Other charges	319,834	10,980	330,814
Waste disposal	217,938	-	217,938
Total operating expenses	1,603,472	478,624	2,082,096
Operating income (loss)	(37,782)	38,546	764
Nonoperating revenue (expenses)			
Interest income	126,483	-	126,483
Interest and fiscal charges	(262,295)	-	(262,295)
Net nonoperating expenses	(135,812)	-	(135,812)
Income (loss) before operating transfers	(173,594)	38,546	(135,048)
Operating transfers			
Transfers in	625,385	-	625,385
Transfers out	(142,000)	-	(142,000)
Net operating transfers	483,385	-	483,385
Net income	309,791	38,546	348,337
Retained earnings (deficit) - July 1, 2000	244,988	(69,519)	175,469
Retained earnings (deficit) - June 30, 2001	\$ 554,779	\$ (30,973)	\$ 523,806

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES

Year Ended June 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise Funds	Internal Service Fund	
Cash flows from operating activities			
Operating income (loss)	\$ (37,782)	\$ 38,546	\$ 764
Adjustments to reconcile to net cash provided (used) by operating activities:			
Depreciation and amortization	266,091	8,453	274,544
Changes in:			
Accounts receivable	(13,665)	(95)	(13,760)
Prepaid expenses	(8,700)	1,004	-
Inventory	4,102	14,074	18,176
Accounts payable and accrued liabilities	(281,259)	(10,670)	(291,929)
Accrued compensated absences	(1,672)	308	(1,364)
Due to General Fund	-	(5,451)	(5,451)
Net cash provided (used) by operating activities	(72,885)	46,169	(19,020)
Cash flows from noncapital financing activities			
Operating transfers in from other funds	625,385	-	625,385
Operating transfers out to other funds	(142,000)	-	(142,000)
Net cash provided by noncapital financing activities	483,385	-	483,385
Cash flows from capital and related financing activities			
Acquisition and construction of fixed assets	(5,097,571)	(7,950)	(5,105,521)
Contributed capital	447,000	-	447,000
Payments received on notes receivable	77,359	-	77,359
Interest paid on general obligation bonds and note payable	(229,526)	-	(229,526)
Proceeds from general obligation bonds	4,608,094	-	4,608,094
Principal payments on general obligation bonds	(199,267)	-	(199,267)
Net cash used by capital and related financing activities	(393,911)	(7,950)	(401,861)
Cash flows from investing activities			
Interest income	126,483	-	126,483
Net cash provided by investing activities	126,483	-	126,483
Net increase in cash and cash equivalents	143,072	38,219	188,987
Cash and cash equivalents - July 1, 2000	1,617,891	-	1,617,891
Cash and cash equivalents - June 30, 2001	\$ 1,760,963	\$ 38,219	\$ 1,806,878
Noncash investing, capital and financing activities:			
Supplemental disclosure of capital and related financing activities:			
Notes receivable in exchange for sewer availability fees included in contributed capital	\$ 64,500	\$ -	\$ 64,500
Deferred refunding loss charge included as component of interest expense	\$ 32,769	\$ -	\$ 32,769
Easements and land in exchange for sewer availability fees included in contributed capital	\$ 105,000	\$ -	\$ 105,000

The accompanying notes are an integral part of these financial statements.

June 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

■ **Reporting Entity**

The **City of Poquoson, Virginia** (the "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"). In addition, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. As required by those principles, these financial statements present the **City of Poquoson, Virginia** (the primary government) and its discretely presented component unit, the City of Poquoson School Board (the "School Board").

Component units 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).

Discretely Presented Component Unit -The School Board is responsible for elementary and secondary education in the City. The members of the School Board are appointed by 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 fund the operations of the City's schools.

Therefore, the School Board is included in 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 unit column in the combined financial statements to emphasize that it is legally separate from the City. There are no separate financial statements issued for the School Board, and consequently combining statements which contain fund type data are included in the City's financial statements.

Blended Component Unit -The Industrial Development Authority (the "IDA") is a legally separate public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The IDA was established to promote and develop trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City. The IDA is included in the City's reporting entity because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds IDA's operating budget and receives all revenues derived from IDA land sales. Therefore, the IDA is financially dependent on the City. Since the City is the only customer of the IDA, it does not meet the criteria for discrete presentation and instead is included as a blended component unit within the City's Proprietary Funds.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

■ **Reporting Entity (Continued)**

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

■ **Basis of Presentation**

The accompanying financial statements include funds administered by the City Council and the discrete component unit School Board of the **City of Poquoson, Virginia**.

The accounts of the primary government and component unit are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise each fund's assets, liabilities, fund balance, revenue, and expenditures or expenses.

Following is a description of the funds and account groups included in the accompanying financial statements of the primary government and its component unit.

A. GOVERNMENTAL FUND TYPES

Governmental Fund types are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. Following are the City's governmental fund types:

1. General Fund

The General Fund accounts for all revenue and expenditures applicable to the general operations of the City, which are not accounted for in other funds. Principal sources of revenue are property taxes and other local taxes, licenses and permit fees, and intergovernmental revenue. A significant part of the General Fund's revenue is transferred to the School Board (the component unit) to fund the operation of the City's school system. Primary expenditures are for public safety; public works; health and welfare; parks, recreation and cultural; community development; and the general administration of the City.

2. Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for the payment of general obligation debt service for the City and the School Board, except for debt payable by the Enterprise Funds. Primary revenue of the Debt Service Fund is derived from a transfer from the General Fund.

3. Capital Projects Fund

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.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

▪ *Basis of Presentation (Continued)*

B. PROPRIETARY FUND TYPES

Proprietary Fund types are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Following are the City's proprietary fund types:

1. Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government body is that costs of operating and providing services to the general public are completely or partially financed from user charges; or where the governing body has determined that the periodic determination of net results of operations is appropriate for management control and accountability.

The Enterprise Funds include the Sewer Operation Fund which 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 which accounts for the operation of the City's pool, parks and festivals and derives its primary revenue from user fees and dues; the Solid Waste Fund which 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; and the IDA which promotes and develops trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City.

2. Internal Service Fund

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

C. FIDUCIARY FUND TYPE - AGENCY FUND

The Fiduciary Fund type is used to account for assets held by the City as an agent for a private organization.

The Fiduciary Fund type consists of the Agency Fund that accounts for monies donated by the Friends of the Library for furnishings for the new library.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

▪ **Basis of Presentation (Continued)**

D. ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general property, plant and equipment and general long-term obligations. Following are the City's account groups:

1. General Fixed Assets Account Group

The General Fixed Assets Account Group includes the City's fixed assets that are not accounted for in the Enterprise Funds or the Internal Service Fund.

2. General Long-term Obligations Account Group

The General Long-term Obligations Account Group includes all the general obligation debt of the City and the School Board, the State Literary Fund loans of the School Board, as well as the accrued vacation and sick leave of the primary government. All debt service in connection with the debt recorded in the Sewer Operation Fund will be paid from user charges of the funds and, therefore, such debt is not recorded in this account group.

E. DISCRETELY PRESENTED 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 fund types and account groups:

1. Component Unit – 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.

2. Component Unit – 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. The cafeteria revenue is composed of federal grants and charges to students for meals and, accordingly, is restricted as to the purpose for which they may be used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

▪ ***Basis of Presentation*** *(Continued)*

E. DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD *(Continued)*

3. Component Unit – 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.

4. Component Unit – School Board General Fixed Assets Account Group

The General Fixed Assets Account Group includes the School Board's fixed assets.

5. Component Unit – School Board General Long-term Obligations Account Group

The General Long-term Obligations Account Group includes accrued compensated absences (vacation and vested sick leave) of the School Board.

▪ ***Total Columns on Combined Statements***

The total columns on the Combined Statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

▪ ***Basis of Accounting***

The basis of accounting applied to a fund is determined by the measurement/focus. Basis of accounting refers to when revenue, expenditures or expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements.

All Governmental Funds of both the primary government and the component unit - School Board are accounted for using the “current financial resources” measurement focus. This means that generally, only current assets and current liabilities are reflected on their balance sheet. Their operating statement presents increases (revenue and other financial resources) and decreases (expenditures and other financial uses) in net current assets.

All Proprietary Funds are accounted for using the “economic resources” measurement focus. This measurement focus is the same as used by commercial enterprises. All assets and liabilities associated with the activity are included on its balance sheet. Their operating statement presents increases (revenue) and decreases (expenses) in net total assets.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

▪ ***Basis of Accounting (Continued)***

A. *Governmental Funds*

Governmental Funds of both the primary government and the component unit - School Board utilize the modified accrual basis of accounting under which revenue and related assets are recorded when measurable and available to finance operations during the year. Revenue considered susceptible to accrual consists primarily of property taxes, certain grants, and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue and receivables when billed, except that property taxes not collected within forty-five days after year-end are reflected as deferred revenue. Licenses, permits, fines and rents are recorded as revenue when received. Inter-governmental revenue, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenue from general-purpose grants is recognized in the period to which the grant applies.

Expenditures, other than vacation and sick leave for City and School Board employees, are recorded as the related liabilities are incurred. The principal and interest on long-term obligations are recorded as expenditures when due. The City's obligation for earned vacation and vested sick leave for City employees is reflected in the General Long-term Obligations Account Group when earned.

The obligation for continued earned vacation and vested sick leave for School Board employees is similarly reflected in the component unit's General Long-term Obligations Account Group when earned. Accumulated but nonvested sick leave for City and School Board employees is recorded as an expenditure when paid.

B. *Proprietary Funds*

The accrual basis of accounting is used for the Enterprise Funds and the Internal Service Fund. Under the accrual method, revenue is recognized in the accounting period in which it is earned, while expenses are recognized in the accounting period in which the related liability is incurred.

C. *Fiduciary Fund*

The Fiduciary Fund utilizes the modified accrual basis of accounting.

▪ ***Budgeting and Budgetary Accounting***

Budgets are employed by the primary government as a financial control device for the General, Debt Service, Capital Projects 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 and the Proprietary Funds. Program and project budgets are utilized to control expenditures in the Capital Projects Fund. Therefore, the Debt Service, Capital Projects and Proprietary Funds are not included in the budget and actual comparisons.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

▪ ***Budgeting and Budgetary Accounting*** *(Continued)*

The School Board approves the annual operating budget for the School Operating Fund. An annual operating budget is not adopted for the School Food Service Fund; therefore, it is not included in the budget and actual comparison of the component unit

For the School Operating 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, 2001, for an increase in appropriations in the amount of \$715,742 and \$955,030 for the Primary Government General Fund and School Board General Fund, respectively.

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

▪ ***Cash and Cash Equivalents***

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

▪ ***Investments***

Investments in the General Fund, Capital Projects Fund and Sewer Fund consist of the State Treasurer's Local Government Investment Pool ("LGIP"), U. S. Treasuries and repurchase agreements that are stated at fair value. The City considers these investments as cash and cash equivalents.

▪ ***Fixed Assets***

Fixed assets of the primary government include land, buildings and improvements, the sewer system, machinery and equipment, and construction in process. Fixed assets of the component unit include land, buildings and improvements, and machinery and equipment.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

▪ **Fixed Assets (Continued)**

Purchased fixed assets are stated at cost or estimated cost as follows:

	Valuation Method	
	Acquired Prior to June 30, 1986	Acquired After June 30, 1986
General Fixed Asset Account Group:		
Land, buildings and improvements	Historical Cost, if available, or estimated historical cost based on current assessed valuation deflated by an appropriate price index.	Historical Cost
Machinery and equipment	Historical Cost, if available, or estimated historical cost, based on replacement cost.	Historical Cost
Proprietary Fund Types	Historical Cost	Historical Cost

Donated property is recorded at the estimated market value prevailing at the date of donation.

It is the City's policy not to capitalize infrastructure such as streets, sidewalks, parking lots, curbs, gutters and piers in the General Fixed Asset Account Group. Assets in the General Fixed Asset Account Group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed. Depreciation for the fixed assets of the Proprietary Fund is computed using the straight-line method over an estimated useful life of 50 to 60 years for the sewer system, 3 to 10 years for machinery and equipment, and 10 to 30 years for buildings and improvements.

It is the School Board's policy not to capitalize infrastructure or to depreciate fixed assets. The component unit's fixed assets are stated at historical cost, if available, or estimated original cost based on the estimated date of acquisition and the present value of the estimated replacement cost of the property.

▪ **Allowance for Uncollectible Accounts**

The City (the primary government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2001, 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).

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

▪ ***Inventory*** *(Continued)*

Inventory in the Fleet Management Fund (the 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.

▪ ***Restricted Assets***

Certain cash and cash equivalents of the Sewer Operation Fund (an Enterprise Fund) are classified as restricted since their use is limited by a bond trust indenture to the construction of improvements in the sewer system.

▪ ***Fund Balance***

Reserves are used to indicate a portion of the fund balance is not available for expenditures or to identify a portion of the fund balance as legally segregated for a specific future use.

Designation of a portion of the unreserved fund balance of the Capital Projects Fund of the primary government is established to indicate management's tentative plans for use of financial resources in a future period.

▪ ***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 of the City and Capital Projects Fund.

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 Operating Fund of the component unit. Again, encumbrances outstanding at year-end do not lapse and are reported as reservations of fund balance.

▪ ***Retained Earnings (Deficits) - Proprietary Funds***

Retained earnings (deficits) of the Proprietary Funds, at June 30, 2001, in the Sewer Operation, Parks and Recreation, Solid Waste, Industrial Development Authority (the "IDA") and Fleet Management Funds were \$(196,578), \$(185,503), \$278,821, \$658,039 and \$(30,973), respectively. The deficits are primarily attributable to accumulated depreciation charges on contributed fixed assets.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

▪ ***Long-term Obligations***

Long-term obligations of the primary government, such as accrued compensated absences, general obligation bonds, State Literary Fund loans, and notes payable, that will be financed from governmental funds, are accounted for in the General Long-term Obligations Account Group.

Long-term obligations of the Sewer Operation Fund are accounted for in that fund.

Long-term obligations (accrued compensated absences) that will be financed from School Board funds, are accounted for in the General Long-term Obligations Account Group of the component unit

▪ ***Sewer Availability Fees***

Amounts charged customers to connect to the City's sewer system are recognized as revenue only to the extent of costs incurred for the connection. Fees in excess of costs are accounted for as contributed capital in the Sewer Operation Fund.

▪ ***Proprietary Fund Accounting***

All applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, are applied to the Proprietary Funds.

▪ ***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 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

▪ ***Credit Risk***

The assessed value of real estate for the City's ten largest taxpayers comprises 4.27% 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.

(Notes continued on next page)

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

At year-end, the carrying value of the primary government's deposits with banks and savings institutions was \$52,487 and the bank balance was \$289,048, including cash with fiscal agents. The City's policy is to invest cash on hand in repurchase agreements. The City's main checking account requires a \$200,000 bank balance, with the remaining cash invested daily into repurchase agreements. Of the bank balance, 100% was covered by the Federal Deposit Insurance Corporation (the "FDIC") or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

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

However, all qualified bank's public deposits are considered 100% "insured" (per GASB 3 paragraph 11) because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2001, 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, the discretely presented component unit, was \$(368,161) and the bank balance was \$489,220. The School Board's policy is to invest cash on hand in repurchase agreements. The School Board's main checking account requires a \$125,000 bank balance, with the remaining cash invested daily into repurchase agreements. The bank balance was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. At June 30, 2001, 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 and the School Board 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 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. Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value.

(Notes continued on next page)

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments (Continued)

Investments are categorized below to give an indication of the level of risk assumed by the City and School Board at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the government or its safekeeping agent in the government's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counter party's trust department or a safekeeping agent in the government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or safekeeping agent but not in the government's name.

At year-end, the primary government's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreement	\$ -	\$ -	\$ 426,000	\$ 426,000	\$ 426,000
Investments not subject to categorization:					
Investment in U.S. Treasury Funds				276,635	276,635
Investment in State Treasurer's Local Government Investment Pool (LGIP)				5,049,036	5,049,036
				<u>5,751,671</u>	<u>5,751,671</u>
Less - repurchase agreement investment in U.S. Treasury Funds, and LGIP classified as cash and cash equivalents				<u>(5,751,671)</u>	<u>(5,751,671)</u>
Total investments				<u>\$ -</u>	<u>\$ -</u>

At year-end, the School Board's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreement	\$ -	\$ -	\$ 963,346	\$ 963,346	\$ 963,346
Investments not subject to categorization:					
Investment in State Treasurer's Local Government Investment Pool (LGIP)				1,230,000	1,230,000
				<u>2,193,346</u>	<u>2,193,346</u>
Less - repurchase agreement investment in U.S. Treasury Funds, and LGIP classified as cash and cash equivalents				<u>(2,193,346)</u>	<u>(2,193,346)</u>
Total investments				<u>\$ -</u>	<u>\$ -</u>

A summary of cash and cash equivalents at June 30, 2001, of both the primary government and its component unit - School Board, was as follows:

	Primary Government	Component Unit
Petty cash and change funds	\$ 151,703	\$ -
Deposits	52,487	(368,161)
Investments, classified as cash and cash equivalents	<u>5,751,671</u>	<u>2,193,346</u>
	<u>\$ 5,955,861</u>	<u>\$ 1,825,185</u>

(Notes continued on next page)

NOTE 3 - PROPERTY TAXES RECEIVABLE

Property 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. Real estate and personal property taxes are payable in two installments on December 5th and June 5th. For June 30, 2001, the June 5, 2000, payment for personal property taxes was extended until June 20, 2001. The City bills and collects its own property taxes.

NOTE 4 - NOTES RECEIVABLE

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

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units at June 30, 2001, consists of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Commonwealth of Virginia:		
Comprehensive Services Act	\$ 35,639	\$ -
School funds	-	117,792
Sales taxes	29,709	210,547
Street and highway maintenance	205,070	-
COPS Fast Matching	1,937	-
Virginia Port Authority	75,000	-
VOPEX Grant	14,508	-
Subtotal	<u>361,863</u>	<u>328,339</u>
Federal government:		
School funds	-	153,032
COPS Fast Grant	11,134	-
U.S. Department of Interior	5,568	-
Total due from other governmental units	<u>\$ 378,565</u>	<u>\$ 481,371</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Details of the interfund receivables and payables within the primary government at June 30, 2001, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund - Industrial Development Authority	<u>\$ 8,972</u>

(Notes continued on next page)

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

Details of the receivables and payables between the primary government and the component unit at June 30, 2001, are as follows:

<u>Primary Government</u> <u>Receivable Fund</u>	<u>Component Unit</u> <u>Payable Fund</u>	<u>Amount</u>
City General Fund	School General Fund	<u>\$ 121,799</u>

NOTE 7 - FIXED ASSETS

A summary of changes in the City's general fixed assets by type of asset follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2001</u>
Land and land improvements	\$ 2,259,942	\$ -	\$ -	\$ -	\$ 2,259,942
Buildings and improvements	5,383,464	-	-	983,064	6,366,528
Machinery and equipment	3,482,885	290,423	165,700	-	3,607,608
Construction in progress	246,064	737,000	-	(983,064)	-
	<u>\$ 11,372,355</u>	<u>\$ 1,027,423</u>	<u>\$ 165,700</u>	<u>\$ -</u>	<u>\$ 12,234,078</u>

The School Board conducted a physical inventory of its fixed assets and made corrections to its fixed asset inventory system to reflect the results of the physical inventory. A summary of changes in the School Board's general fixed assets by type of asset follows:

A summary of the Proprietary Funds fixed assets as of June 30, 2001, follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Physical</u> <u>Inventory</u> <u>Corrections</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 243,223	\$ -	\$ -	\$ -	\$ 243,223
Buildings and improvements	16,417,745	698,108	118,624	135,427	17,369,904
Machinery and equipment	2,645,998	949,005	300,478	-	3,895,481
Construction in progress	135,427	-	-	(135,427)	-
	<u>\$ 19,442,393</u>	<u>\$ 1,647,113</u>	<u>\$ 419,102</u>	<u>\$ -</u>	<u>\$ 21,508,608</u>

	<u>Enterprise Fund</u>				<u>Internal</u> <u>Service Fund</u>	
	<u>Sewer</u> <u>Operation</u>	<u>Parks and</u> <u>Recreation</u>	<u>Solid</u> <u>Waste</u>	<u>Industrial</u> <u>Development</u> <u>Authority</u>	<u>Total</u>	<u>Fleet</u> <u>Management</u>
Land	\$ 169,386	\$ 28,550	\$ -	\$ 296,346	\$ 494,282	\$ 1,377
Buildings and improvements	-	231,283	9,943	69,158	310,384	41,742
Sewer system	9,213,353	-	-	-	9,213,353	-
Sewer easements	72,000	-	-	-	72,000	-
Machinery and equipment	347,641	20,659	385,084	-	753,384	79,487
Construction in progress	9,914,269	-	-	315,273	10,229,542	-
Total	19,716,649	280,492	395,027	680,777	21,072,945	122,606
Less - accumulated depreciation	(2,745,842)	(229,064)	(205,716)	(4,611)	(3,185,233)	(88,958)
Net book value	<u>\$ 16,970,807</u>	<u>\$ 51,428</u>	<u>\$ 189,311</u>	<u>\$ 676,166</u>	<u>\$ 17,887,712</u>	<u>\$ 33,648</u>

(Notes continued on next page)

NOTE 8 - LONG-TERM OBLIGATIONS

Following is a summary of the changes in long-term obligations that are recorded in the Internal Service Fund and the General Long-term Obligations Account Group of the City and its component unit - School Board, respectively, for the year ended June 30, 2001:

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
General Obligation Debts Payable				
General obligation bonds	\$ 7,192,080	\$ 1,572,428	\$ 378,830	\$ 8,385,678
State Literary Fund loans	6,626,810	-	476,418	6,150,392
	<u>13,818,890</u>	<u>1,572,428</u>	<u>855,248</u>	<u>14,536,070</u>
Accrued benefits:				
Accrued compensated absences	187,703	11,500	-	199,203
	<u>\$ 14,006,593</u>	<u>\$ 1,583,928</u>	<u>\$ 855,248</u>	<u>\$ 14,735,273</u>
Component Unit - School Board				
Accrued benefits:				
Accrued compensated absences	\$ 67,612	\$ 29,104	\$ -	\$ 96,716
VRS early retirement pension liability	615,121	-	615,121	-
	<u>\$ 682,733</u>	<u>\$ 29,104</u>	<u>\$ 615,121</u>	<u>\$ 96,716</u>

General Long-Term Obligations Account Group

General Obligation Bonds

School Serial Bonds of 1989 - \$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%.	\$ 605,000
City Serial Bonds of 1994A - \$4,900,000 bonds issued and due in annual installments varying from \$120,000 to \$400,000 through January 2016, with interest payable semi-annually at rates varying from 3.90% to 5.375%.	4,270,000
High School Serial Bonds of 1998 - \$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%.	580,000
General Obligation Court Facility Bond Series 1998A - \$1,546,415 bonds issued and due in annual installments varying from \$43,594 to \$122,839, through March 2016, with interest paid semi-annually at 4.5%.	1,378,607
General Obligation Fire Station Bond Series 2000 - \$925,000 bonds issued and due in semi-annual principal and interest installments of \$45,471 through September 2015. The bond bears interest at 5.43%.	904,643
General Obligation Refunding Note Series 2001 - \$647,428 note payable due in annual installments ranging from \$68,109 to \$68,690 including principal and interest at 6.82% through January 2016.	<u>647,428</u>
Total general obligation bonds outstanding	<u>\$ 8,385,678</u>

(Notes continued on next page)

NOTE 8 - LONG-TERM LIABILITIES (Continued)

General Long-term Obligations Account Group (Continued)

State Literary Fund Loans

Elementary School Addition Literary Fund Loan - \$410,000 loan issued May 1, 1982, due in annual installments of \$20,500 through May 2002, with interest at 3%.	\$ 20,500
Middle School Literary Fund Loan (HVAC) - \$410,776 loan issued May 1, 1985, due in annual installments of \$20,538 through May 2005, with interest at 3%.	82,152
Elementary School Literary Fund Loan (HVAC) - \$339,561 loan issued May 1, 1985, due in annual installments of \$16,980 through May 2005, with interest at 3%.	67,920
Primary School Literary Fund Loan - \$2,500,000 loan issued September 15, 1989, due in annual installments of \$125,000 through August 2009, with interest at 3%.	1,125,000
Primary School Literary Fund Loan - \$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%.	354,820
High School Literary Fund Loan - \$5,000,000 loan issued November 17, 1998, due in annual installments of \$250,000 through December 2018, with interest at 3%.	<u>4,500,000</u>
Total state literary fund loans outstanding	<u>\$ 6,150,392</u>

The foregoing debt recorded in the General Long-term Obligations Account Group of the primary government is collateralized by the full faith and credit of the City.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 459,014	\$ 420,315
2003	446,080	419,082
2004	458,507	396,684
2005	496,332	372,895
2006	504,581	347,227
Thereafter	<u>6,021,164</u>	<u>1,842,532</u>
	<u>\$ 8,385,678</u>	<u>\$ 3,798,735</u>

(Notes continued on next page)

NOTE 8 - LONG-TERM LIABILITIES (Continued)

General Long-term Obligations Account Group (Continued)

State literary fund loans debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 460,018	\$ 184,513
2003	439,518	170,711
2004	439,518	157,526
2005	439,518	144,339
2006	402,000	131,155
Thereafter	3,969,820	750,097
	<u>\$ 6,150,392</u>	<u>\$ 1,538,341</u>

Compensated Absences

Earned annual leave and vested portions of accumulated sick leave for employees of the primary government have been recorded in the General Long-term Obligations Account Group. The portion of the liability at June 30, 2001, which will be liquidated in each of the next five years, is not determinable.

Earned annual leave and the vested portion of accumulated sick leave for employees of the School Board have been recorded in the General Long-term Obligations Account Group of the component unit. The portion of the liability at June 30, 2001, to be liquidated in each of the next five years, is not determinable.

Earned but nonvested sick leave of both City and School Board employees, representing accumulated sick leave in excess of the amount payable upon resignation, termination or retirement, is not recorded.

Debt Limit

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to ten percent of total assessed value of real property. As of June 30, 2001, the City's aggregate general obligation indebtedness was approximately \$59,134,969 less than the allowable limit.

Overlapping Debt

There are no overlapping or underlying tax jurisdictions.

NOTE 9 - LONG-TERM LIABILITIES - PROPRIETARY FUNDS

Following is a summary of debt transactions of the proprietary funds for the fiscal year ended June 30, 2001:

NOTE 9 - LONG-TERM LIABILITIES - PROPRIETARY FUNDS (Continued)

	July 1, 2000	Additions	Reductions	June 30, 2001
Enterprise Funds				
General obligation funds	\$ 8,699,313	\$ 4,608,094	\$ 199,267	\$ 13,108,140
Accounting loss on refunding	(454,399)	-	(32,769)	(421,630)
	<u>8,244,914</u>	<u>4,608,094</u>	<u>166,498</u>	<u>12,686,510</u>
Accrued compensated absences	11,524	-	1,672	9,852
	<u>\$ 8,256,438</u>	<u>\$ 4,608,094</u>	<u>\$ 168,170</u>	<u>\$ 12,696,362</u>
Internal Service Fund				
Accrued compensated absences	\$ 6,202	\$ 308	\$ -	\$ 6,510

General long-term obligations and notes payable at June 30, 2001, are composed of the following:

Enterprise Funds

General Obligation Bonds

General Obligation Sewer System Serial Bonds, Series of 1994B (February 1994) - \$1,655,000 bonds issued and due in annual installments varying from \$75,000 to \$140,000 through January 2012, with interest payable semi-annually at rates varying from 3.90% to 5.375%. \$ 1,205,000

General Obligation Sewer System Bonds, Series 1994A (September 1994) - \$2,800,000 bonds issued and due in annual installments varying from \$15,000 to \$245,000 through September 2017, with interest payable semi-annually at rates varying from 6.11 % to 6.50%. 655,000

General Obligation Sewer Bonds, Series 2000B (May 2000) - \$2,664,671 bonds issued with interest only due on the outstanding balance at March 1, 2001, at 3.5%. Commencing on September 1, 2001, principal and interest due in semi-annual installments of \$94,847 through September 2020, at a rate of 3.5%. 2,664,671

General Obligation Sewer Bonds, Series 2000A (May 2000) - \$6,329,954 bonds authorized and \$4,608,094 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%. 6,329,954

Total (carried forward) \$ 10,854,625

(Notes continued on next page)

NOTE 9 - LONG-TERM LIABILITIES - PROPRIETARY FUNDS (Continued)

Enterprise Funds (Continued)

General Obligation Bonds (Continued)

Total (brought forward)	\$ 10,854,625
General Obligation Sewer System Refunding Bonds, Series 1998B (December 1998) - \$2,294,591 bonds issued and due in annual installments varying from \$21,809 for \$235,256, through September 2017, with interest payable semi-annually at 4.5%.	<u>2,253,515</u>
	13,108,140
Accounting loss on refundings	<u>(421,630)</u>
Total general obligation bonds outstanding	<u>\$ 12,686,510</u>

Debt service on the foregoing general obligation bonds recorded in the Enterprise Funds is payable during future fiscal years ending June 30, as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 570,180	\$ 572,283
2003	588,974	549,562
2004	613,266	525,762
2005	638,069	500,798
2006	658,405	474,595
Thereafter	<u>10,039,246</u>	<u>3,358,670</u>
	<u>\$ 13,108,140</u>	<u>\$ 5,981,670</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.

Earned annual leave and the vested portion of accumulated sick leave for employees have been recorded in the Enterprise Funds and the Internal Service Fund as appropriate. The amount of the June 30, 2001, balances disclosed above which will be liquidated in each of the next five fiscal years is not determinable.

Defeased Debt

On December 29, 1998, the City issued General Obligation Sewer System Refunding Bonds Series 1998B of \$2,294,591 with an interest rate of 4.50% to advance refund a portion of the 1994B Sewer General Obligation Bonds with an interest rate of 5.5%. The 1994B bonds mature September 2017, and are callable in September 2006. The 1998B General Obligation Sewer System Refunding Bonds were issued at a premium of \$40,300, and after paying issuance costs of \$17,891 the net proceeds of \$2,276,700 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 1994B General Obligation Bonds are called September 2006. The advance refunding met the requirements of an in-substance debt defeasance on the 1994B Sewer General Obligation Bonds. Those bonds to be called were removed from the City's Sewer bonds payable.

(Notes continued on next page)

NOTE 9 - LONG-TERM LIABILITIES – PROPRIETARY FUNDS (Continued)

Defeased Debt (Continued)

As a result of the advance refunding, the City reduced its debt service requirements for the 1994 bonds by \$365,080, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$254,419.

In prior years, The City defeased certain Sewer General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2001, \$655,000 of bonds outstanding is considered defeased.

The unamortized amount deferred on the sewer refundings of \$421,630 is reported in the accompanying financial statements as a reduction of bonds payable, and is being charged to operations as a component of interest through the year 2016 using the straight-line method.

NOTE 10 - SUBSEQUENT EVENT

On July 1, 2001, the IDA issued \$10,000,000 YMCA Revenue Bonds to finance the acquisition and construction the Peninsula Metropolitan YMCA (the "YMCA"). The cost of financing the project, all expenses of issuing the bonds and the payment of bond principal and interest is the responsibility of the YMCA. 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.

NOTE 11 - CONTRIBUTED CAPITAL

Changes in contributed capital for all Proprietary Funds during the year ended June 30, 2001, are summarized as follows:

	Enterprise Funds			Total	Internal
	Sewer Operation	Parks and Recreation	Solid Waste		Service Fund Fleet Management
Contributed capital - July 1, 2000	\$ 5,133,184	\$ 259,833	\$ 67,339	\$ 5,460,356	\$ 96,114
Contributions	616,500	-	-	616,500	-
Contributed capital - June 30, 2001	\$ 5,749,684	\$ 259,833	\$ 67,339	\$ 6,076,856	\$ 96,114

NOTE 12 - DEFERRED REVENUE

Deferred revenue for the primary government at June 30, 2001, consists of real and personal property taxes not collected within 45 days after June 30, 2001. Deferred revenue for the School Board at June 30, 2001, consists of grant money received but not expended.

(Notes continued on next page)

NOTE 13 - SEGMENT INFORMATION

The City maintains three enterprise funds that provide sewer services, recreational facilities, and solid waste disposal. The fourth enterprise fund, the IDA, promotes and develops trade with the City. Segment information for the year ended June 30, 2001, is as follows:

	Sewer Operation Fund	Parks and Recreation Fund	Solid Waste Fund	Industrial Development Authority	Total Enterprise Fund
Operating revenue	\$ 868,477	\$ 426,192	\$ 271,021	\$ -	\$ 1,565,690
Depreciation and amortization	\$ 213,907	\$ 15,406	\$ 33,320	\$ 3,458	\$ 266,091
Operating income (loss)	\$ 169,999	\$ (35,404)	\$ (121,578)	\$ (50,799)	\$ (37,782)
Operating transfers in	\$ -	\$ 27,040	\$ 138,000	\$ 460,345	\$ 625,385
Operating transfers out	\$ (142,000)	\$ -	\$ -	\$ -	\$ (142,000)
Net income (loss)	\$ (107,813)	\$ (8,364)	\$ 16,422	\$ 409,546	\$ 309,791
Current capital contribution	\$ 616,500	\$ -	\$ -	\$ -	\$ 616,500
Fixed asset additions	\$ 4,590,210	\$ 7,744	\$ 83,221	\$ 416,396	\$ 5,097,571
Net working capital (deficit)	\$ 354,152	\$ 22,902	\$ 156,849	\$ (18,127)	\$ 515,776
Total assets	\$ 18,952,906	\$ 99,275	\$ 355,347	\$ 676,166	\$ 20,083,694
Bonds and other long-term obligations payable	\$ 12,686,510	\$ -	\$ -	\$ -	\$ 12,686,510
Total equity	\$ 5,553,106	\$ 74,330	\$ 346,160	\$ 658,039	\$ 6,631,635

NOTE 14 - 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.

NOTE 15 - SURETY BONDS

The City maintained the following surety bond coverages on certain employees of the primary government and component unit during the fiscal year ended June 30, 2001:

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

(Notes continued on next page)

NOTE 15 - SURETY BONDS (Continued)

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

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - Surety, Faithful Performance of Duty Schedule, Position Bond: Frances C. Firth, Treasurer and employees	\$ 500,000
Commonwealth of Virginia Faithful Performance of Duty Bond: Treasurer, Frances C. Firth	\$ 200,000
Commissioner of the Revenue, Graham P. Wilson	\$ 3,000

NOTE 16 - RELATED-PARTY TRANSACTIONS

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission ("HRPDC"), the Virginia Peninsula's Public Service Authority ("VPPSA"), the Peninsula Alliance for Economic Development ("PAED"), the Colonial Services Board ("CSB") and the Greater Peninsula Workforce Development Consortium ("GPWDC"). Expenditures of these agencies are financed by Federal and State grants and fees, including contributions from the City. During the year ended June 30, 2001, the City provided support to HRPDC of \$10,382, VPPSA of \$159,045, PAED of \$11,650, CSB of \$78,242 and GPWDC of \$5,000.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2001, the City incurred expenses for the jail and center of \$55,567 and \$54,022, respectively.

The City of Poquoson is a "Class B" city under the laws of the Commonwealth of Virginia and, as such, shares certain services and their associated costs with York County, including the circuit court and the sheriff of York County. The City also shares social services with York County. During the year ended June 30, 2001, the City paid \$204,621 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, 2001, the School Board provided support of \$234,824 to the New Horizons Education Center.

NOTE 17 - DEFINED BENEFIT PENSION 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.

(Notes continued on next page)

NOTE 17 - DEFINED BENEFIT PENSION PLAN (Continued)

A. Plan Description (Continued)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and firefighters) 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 and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary ("AFS"), 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 50% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary.

Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they are retired prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the system. 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, 2001, was 2.48% and 6.13%, 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 2001, 2000 and 1999 were \$1,050,602, \$1,102,461 and \$996,948, respectively. The School Board contributed 100% of required contributions to the pool for fiscal year ended 2001 and each of the two preceding years.

C. Annual Pension Cost

For fiscal year 2001, the City and School Board's annual pension costs of \$80,866 and \$28,850, 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, 1999, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (1) 8% investment rate of return, (b) projected salary increases ranging from 4% to 6.15% per year, and (c) 3.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4%. 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 a closed basis within a period of 27 years or less.

(Notes continued on next page)

NOTE 17 - DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

Schedule of Employer Contributions

	Fiscal Year Ending	Three-Year Trend Information		
		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Employees	6/30/2001	\$ 80,866	100%	\$-0-
	6/30/2000	\$ 187,616	100%	\$-0-
	6/30/1999	\$ 173,899	100%	\$-0-
School Board Non- professional Employees	6/30/2001	\$ 28,850	100%	\$-0-
	6/30/2000	\$ 20,202	100%	\$-0-
	6/30/1999	\$ 20,406	100%	\$-0-

Schedule of Funding Progress – City Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded Actuarial Liability as a Percent of Covered Payroll
06/30/00	\$ 9,910,536	\$ 7,798,479	\$ 2,112,057	127.1%	\$ 3,179,681	66.4%
06/30/99	\$ 8,331,910	\$ 7,661,020	\$ 670,890	108.8%	\$ 3,059,380	21.9%
06/30/98	\$ 7,013,821	\$ 5,518,576	\$ 1,495,245	127.1%	\$ 2,807,789	53.3%

Schedule of Funding Progress – School Board Nonprofessional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Underfunded Actuarial Liability as a Percent of Covered Payroll
06/30/00	\$ 602,210	\$ 615,144	\$ (12,934)	97.9%	\$ 403,417	(3.2%)
06/30/99	\$ 502,635	\$ 574,382	\$ (71,747)	87.5%	\$ 371,974	(19.3%)
06/30/98	\$ 410,489	\$ 470,988	\$ (60,499)	87.2%	\$ 377,434	(16.0%)

(Notes continued on next page)

NOTE 17 - DEFINED BENEFIT PENSION PLAN (Continued)

D. Notes to Schedules of Employer Contributions and Funding Progress

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations. Additional information as of the June 30, 1999, actuarial valuation follows:

Valuation date	June 30, 1999
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Payroll growth rate	4.00%
Remaining amortization period:	
City	27 Years
School Board non-professional	27 Years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return ¹	8.00%
Projected salary increases ¹ :	
Non-LEO ² employees, including School Board non-professional employees	4.00% to 6.15%
LEO employees	4.25% to 6.00%
Cost-of-living adjustments	3.50%

¹ Includes inflation at 4%

² LEO - Law Enforcement Officers

NOTE 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 15. Substantially all other risks are insured through participation in various public entity risk pools operating as common risk management and insurance programs for many local political subdivisions in the Commonwealth of Virginia. The City pays annual premiums to the pools for its general insurance coverage. The agreements of political subdivisions participating in the pools provide that the pools will be self-sustaining through member premiums but will reinsure through commercial companies for excess liability claims.

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

(Notes continued on next page)

NOTE 19 - PERSONAL PROPERTY TAX RELIEF ACT OF 1998

Recent legislation by the State enacted the Personal Property Tax Relief Act of 1998. The effect of the legislation will result in a steady decline in personal property tax revenue, with a corresponding increase in intergovernmental revenue from the Commonwealth of Virginia. The Commonwealth of Virginia directly reimbursed taxpayers for tangible personal property tax levies paid on qualifying vehicles for calendar year 1998. The Commonwealth will pay to the **City of Poquoson** a percentage of the reimbursable amount for calendar year 2001 and subsequent years. In fiscal year 2001, the effect of the legislation shifted \$1,106,535 from general property taxes to state revenue.

The amount of the payments to the Treasurer for tax years after 1998 will be 100% for qualifying vehicles with a value of \$1,000 or less and for each qualifying vehicle with a value of more than \$1,000, on the first \$20,000 the reimbursement will be as follows:

<u>Tax Year</u> <u>Beginning</u> <u>Calendar Year</u>	<u>Percentage</u> <u>Level</u>
1998	12.5%
1999	27.5%
2000	47.5%
2001	70.0%
2002 and thereafter	100.0% *

* Subject to change by the legislature.

* * * * *

CITY OF POQUOSON, VIRGINIA

BALANCE SHEET
GENERAL FUND

June 30, 2001

ASSETS		
Cash and cash equivalents		\$ 3,722,173
Property taxes receivable - net		521,345
Utility taxes receivable		49,285
Other receivables		39,165
Due from other fund		8,972
Due from component unit		121,799
Due from other governmental units		243,995
Prepaid items		<u>2,975</u>
Total assets		<u>\$ 4,709,709</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities		\$ 215,098
Deferred revenue		<u>399,318</u>
Total liabilities		<u>614,416</u>
Fund balances		
Reserved for encumbrances		146,288
Reserved for prepaid items		2,975
Unreserved and undesignated		<u>3,946,030</u>
Total fund balances		<u>4,095,293</u>
Total liabilities and fund balances		<u>\$ 4,709,709</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND

Year Ended June 30, 2001

Revenue	
General property taxes	\$ 9,921,498
Other local taxes:	
Sales and use taxes	375,179
Meals tax	236,488
Consumers' utility and E-911 telephone taxes	575,032
Consumption tax	16,909
Business license taxes	305,299
Franchise license taxes	74,894
Motor vehicle license taxes	273,624
Bank stock taxes	22,457
Recordation and will taxes, deed of conveyance	104,472
Permits, privilege fees, and regulatory licenses	108,412
Fines and forfeitures	25,448
Revenue from use of money and property	226,465
Charge for services	28,980
Intergovernmental:	
Commonwealth of Virginia	2,488,640
Federal government	93,243
Miscellaneous	26,111
Total revenue	<u>14,903,151</u>
Expenditures	
General government administration	1,172,028
Public safety	3,092,622
Public works	889,179
Health and welfare	464,380
Parks, recreation, and cultural	730,150
Community development	258,403
Nondepartmental	35,366
Total expenditures	<u>6,642,128</u>
Excess of revenue over expenditures	<u>8,261,023</u>
Other financing sources (uses)	
Transfers from:	
Component Unit	547,963
Sewer Operation Fund	142,000
Transfers to:	
Component Unit	(6,333,720)
Industrial Development Authority	(360,345)
Debt Service Fund	(1,446,818)
Solid Waste Fund	(138,000)
Capital Projects Fund	(611,770)
Parks and Recreation Fund	(27,040)
Total other financing uses	<u>(8,227,730)</u>
Excess of revenue and other financing sources over expenditures and other financing uses	33,293
Fund balance - July 1, 2000	<u>4,062,000</u>
Fund balance - June 30, 2001	<u>\$ 4,095,293</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND

Year Ended June 30, 2001

Expenditures

Debt service:

Principal retirement	\$ 855,248
Interest and fiscal charges	591,570
Total expenditures	<u>1,446,818</u>

Other financing sources (uses)

Operating transfers in:

General Fund	1,446,818
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Note proceeds	647,428
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Operating transfers out:

Component Unit	<u>(647,428)</u>
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Net other financing sources	<u>1,446,818</u>
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Excess of other financing sources over expenditures	-
--	---

Fund balance - July 1, 2000	<u>-</u>
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Fund balance - June 30, 2001	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

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CITY OF POQUOSON, VIRGINIA

BALANCE SHEET
CAPITAL PROJECTS FUND

June 30, 2001

ASSETS

Cash and cash equivalents	\$ 379,759
Due from other governmental units	134,570
Total assets	<u>\$ 514,329</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable and accrued liabilities	\$ 90,643
Total liabilities	<u>90,643</u>

Fund balance

Reserved for encumbrances	457,695
Unreserved	(34,009)
Total fund balance	<u>423,686</u>

Total liabilities and fund balance	<u>\$ 514,329</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND

Year Ended June 30, 2001

Revenue	
Intergovernmental - Commonwealth of Virginia	\$ 333,959
Total revenue	<u>333,959</u>
Expenditures	
Capital outlays	1,558,824
Total expenditures	<u>1,558,824</u>
Deficiency of revenue over expenditures	<u>(1,224,865)</u>
Other financing sources (uses)	
Operating transfers in - general fund	611,770
Operating transfers out - Industrial Development Authority	(100,000)
Interest income	7,494
Sale of equipment	11,533
Bond proceeds	925,000
Net other financing sources	<u>1,455,797</u>
Excess of revenue and other financing sources over expenditures and other financing uses	230,932
Fund balance - July 1, 2000	<u>192,754</u>
Fund balance - June 30, 2001	<u>\$ 423,686</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINING BALANCE SHEETS
ENTERPRISE FUNDS

June 30, 2001

ASSETS	Sewer Operation	Parks and Recreation	Solid Waste	Industrial Development Authority	Total
Current assets					
Cash and cash equivalents	\$ 1,322,796	\$ 36,641	\$ 124,891	\$ -	\$ 1,484,328
Accounts receivable	226,676	-	35,474	-	262,150
Notes receivable	57,583	-	-	-	57,583
Prepaid expenses	-	11,206	-	-	11,206
Inventory	-	-	5,671	-	5,671
Total current assets	1,607,055	47,847	166,036	-	1,820,938
Restricted assets					
Revenue bond indenture - Cash and cash equivalents	276,635	-	-	-	276,635
Total restricted assets	276,635	-	-	-	276,635
Fixed assets					
Land	169,386	28,550	-	296,346	494,282
Buildings and improvements	-	231,283	9,943	69,158	310,384
Sewer system	9,213,353	-	-	-	9,213,353
Sewer easements	72,000	-	-	-	72,000
Machinery and equipment	347,641	20,659	385,084	-	753,384
Construction in progress	9,914,269	-	-	315,273	10,229,542
Less - accumulated depreciation	(2,745,842)	(229,064)	(205,716)	(4,611)	(3,185,233)
Fixed assets, net of accumulated depreciation	16,970,807	51,428	189,311	676,166	17,887,712
Other assets					
Intangible assets	39,758	-	-	-	39,758
Notes receivable-less current portion	58,651	-	-	-	58,651
Total other assets	98,409	-	-	-	98,409
Total assets	\$ 18,952,906	\$ 99,275	\$ 355,347	\$ 676,166	\$ 20,083,694
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable and accrued liabilities	\$ 707,226	\$ 23,817	\$ 6,527	\$ 9,155	\$ 746,725
Accrued compensated absences	6,064	1,128	2,660	-	9,852
Due to general fund	-	-	-	8,972	8,972
General obligation bonds - current portion	539,613	-	-	-	539,613
Total current liabilities	1,252,903	24,945	9,187	18,127	1,305,162
Long-term liabilities					
General obligation bonds -net of current portion	12,146,897	-	-	-	12,146,897
Total liabilities	13,399,800	24,945	9,187	18,127	13,452,059
Fund equity					
Contributed capital:					
Municipality	757,379	63,833	67,339	-	888,551
Capital grants	1,343,449	196,000	-	-	1,539,449
Other	3,648,856	-	-	-	3,648,856
Total contributed capital	5,749,684	259,833	67,339	-	6,076,856
Retained earnings (deficit)	(196,578)	(185,503)	278,821	658,039	554,779
Total fund equity	5,553,106	74,330	346,160	658,039	6,631,635
Total liabilities and fund equity	\$ 18,952,906	\$ 99,275	\$ 355,347	\$ 676,166	\$ 20,083,694

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)
ENTERPRISE FUNDS

Year Ended June 30, 2001

	Sewer Operation	Parks and Recreation	Solid Waste	Industrial Development Authority	Total
Operating revenue					
Charges for services	\$ 867,479	\$ 332,996	\$ 256,824	\$ -	\$ 1,457,299
Festivals	-	92,101	-	-	92,101
Miscellaneous	998	1,095	14,197	-	16,290
Total operating revenue	868,477	426,192	271,021	-	1,565,690
Operating expenses					
Personnel services	127,163	188,614	76,931	-	392,708
Contractual services	27,903	187,773	640	46,152	262,468
Materials and supplies	27,339	54,131	46,122	757	128,349
Depreciation and amortization	213,907	15,406	33,320	3,458	266,091
Other charges	302,166	15,672	1,564	432	319,834
Waste disposal	-	-	234,022	-	234,022
Total operating expenses	698,478	461,596	392,599	50,799	1,603,472
Operating income (loss)	169,999	(35,404)	(121,578)	(50,799)	(37,782)
Nonoperating revenue (expenses)					
Interest income	126,483	-	-	-	126,483
Interest and fiscal charges	(262,295)	-	-	-	(262,295)
Net nonoperating expenses	(135,812)	-	-	-	(135,812)
Income (loss) before operating transfers	34,187	(35,404)	(121,578)	(50,799)	(173,594)
Operating transfers in - general fund	-	27,040	138,000	360,345	525,385
Operating transfers in - capital projects	-	-	-	100,000	100,000
Operating transfers out - general fund	(142,000)	-	-	-	(142,000)
Net income (loss)	(107,813)	(8,364)	16,422	409,546	309,791
Retained earnings (deficit) - July 1, 2000	(88,765)	(177,139)	262,399	248,493	244,988
Retained earnings (deficit) - June 30, 2001	\$ (196,578)	\$ (185,503)	\$ 278,821	\$ 658,039	\$ 554,779

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINING STATEMENTS OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended June 30, 2001

	Sewer Operation	Parks and Recreation	Solid Waste	Industrial Development Authority	Total
Cash flows from operating activities					
Operating income (loss)	\$ 169,999	\$ (35,404)	\$ (121,578)	\$ (50,799)	\$ (37,782)
Adjustments to reconcile to net cash provided (used) by operating activities:					
Depreciation and amortization	213,907	15,406	33,320	3,458	266,091
Changes in:					
Accounts receivable	(14,506)	-	841	-	(13,665)
Prepaid expenses	971	(10,374)	703	-	(8,700)
Inventory	-	-	4,102	-	4,102
Accounts payable and accrued liabilities	(290,532)	6,911	(1,030)	3,392	(281,259)
Accrued compensated absences	819	(1,647)	(844)	-	(1,672)
Net cash provided (used) by operating activities	80,658	(25,108)	(84,486)	(43,949)	(72,885)
Cash flows from noncapital financing activities					
Operating transfers in from general fund	-	27,040	138,000	360,345	525,385
Operating transfers in from capital projects	-	-	-	100,000	100,000
Operating transfers out to general fund	(142,000)	-	-	-	(142,000)
Net cash provided (used) by noncapital financing activities	(142,000)	27,040	138,000	460,345	483,385
Cash flows from capital and related financing activities					
Acquisition and construction of fixed assets	(4,590,210)	(7,744)	(83,221)	(416,396)	(5,097,571)
Contributed capital	447,000	-	-	-	447,000
Payments received on notes receivable	77,359	-	-	-	77,359
Interest paid on general obligation bonds and note payable	(229,526)	-	-	-	(229,526)
Proceeds from general obligation bonds	4,608,094	-	-	-	4,608,094
Principal payments on general obligation bonds	(199,267)	-	-	-	(199,267)
Net cash provided (used) by capital and related financing activities	113,450	(7,744)	(83,221)	(416,396)	(393,911)
Cash flows from investing activities					
Interest income	126,483	-	-	-	126,483
Net cash provided by investing activities	126,483	-	-	-	126,483
Net increase (decrease) in cash and cash equivalents	178,591	(5,812)	(29,707)	-	143,072
Cash and cash equivalents - July 1, 2000	1,420,840	42,453	154,598	-	1,617,891
Cash and cash equivalents - June 30, 2001	\$ 1,599,431	\$ 36,641	\$ 124,891	\$ -	\$ 1,760,963
Supplemental disclosure of capital and related financing activities:					
Notes receivable in exchange for sewer availability fees included in contributed capital	\$ 64,500	\$ -	\$ -	\$ -	\$ 64,500
Deferred refunding loss charge included as a component of interest expense	\$ 32,769	\$ -	\$ -	\$ -	\$ 32,769
Easements and land in exchange for sewer availability fees included in contributed capital	\$ 105,000	\$ -	\$ -	\$ -	\$ 105,000

The accompanying notes are an integral part of these financial statements.

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CITY OF POQUOSON, VIRGINIA

BALANCE SHEET
INTERNAL SERVICE FUND

June 30, 2001

ASSETS		Fleet Management
Current assets		
Cash		\$ 38,219
Accounts receivable		95
Inventory		6,672
Total current assets		<u>44,986</u>
Fixed assets		
Land		1,377
Building and improvements		41,742
Machinery and equipment		79,487
Less - accumulated depreciation		(88,958)
Fixed assets - net		<u>33,648</u>
Total assets		<u>\$ 78,634</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable and accrued liabilities		\$ 6,983
Accrued compensated absences		6,510
Total liabilities		<u>13,493</u>
Fund equity		
Contributed capital:		
Municipality		96,114
Accumulated deficit		(30,973)
Total fund equity		<u>65,141</u>
Total liabilities and fund equity		<u>\$ 78,634</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT
INTERNAL SERVICE FUND

June 30, 2001

	<u>Fleet Management</u>
Operating revenue	
Charges for services	\$ 517,170
Total operating revenue	<u>517,170</u>
Operating expenses	
Personnel services	163,054
Contractual services	45,370
Materials and supplies	250,767
Depreciation	8,453
Other charges	10,980
Total operating expenses	<u>478,624</u>
Net income	38,546
Accumulated deficit - July 1, 2000	<u>(69,519)</u>
Accumulated deficit - June 30, 2001	<u>\$ (30,973)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND

Year Ended June 30, 2001

	<u>Fleet Management</u>
Cash flows from operating activities	
Net income	\$ 38,546
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	8,453
Change in:	
Accounts receivable	(95)
Prepaid items	1,004
Inventory	14,074
Accounts payable and accrued liabilities	(10,670)
Accrued compensated absences	308
Due to General Fund	(5,451)
Net cash provided by operating activities	<u>46,169</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	<u>(7,950)</u>
Net cash used by capital and related financing activities	<u>(7,950)</u>
Net increase in cash and cash equivalents	38,219
Cash and cash equivalents - July 1, 2000	<u>-</u>
Cash and cash equivalents - June 30, 2001	<u>\$ 38,219</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF POQUOSON, VIRGINIA**BALANCE SHEET
AGENCY FUND**

June 30, 2001

	ASSETS	<u>Library Building</u>
Cash and cash equivalents		<u>\$ 54,747</u>
	LIABILITIES	
Amounts held for others		<u>\$ 54,747</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**Year Ended June 30, 2001**

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Library Building				
Assets				
Cash and cash equivalents	\$ 51,615	\$ 3,132	\$ -	\$ 54,747
Liabilities				
Amounts held for others	\$ 51,615	\$ 3,132	\$ -	\$ 54,747

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
 GENERAL FIXED ASSET ACCOUNT GROUP**

 June 30, 2001

General fixed assets

Land and land improvements	\$ 2,259,942
Buildings and improvements	6,366,528
Machinery and equipment	<u>3,607,608</u>

Total general fixed assets	\$ <u>12,234,078</u>
-----------------------------------	-----------------------------

Investment in general fixed assets by source

Fixed assets acquired prior to July 1, 2000	\$ 11,372,355
Fixed asset disposals	(165,700)
Fixed assets acquired after June 30, 2000:	
From current revenue	285,976
From bond and note proceeds	737,000
From other sources	<u>4,447</u>

Total investment in general fixed assets	\$ <u>12,234,078</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY -
 GENERAL FIXED ASSET ACCOUNT GROUP**

June 30, 2001

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
General government	\$ 2,162,338	\$ 4,784,812	\$ 999,986	\$ -	\$ 7,947,136
Public safety	52,604	1,385,480	1,409,551	-	2,847,635
Public works	-	-	871,454	-	871,454
Parks, recreation and cultural	45,000	196,236	326,617	-	567,853
Total general fixed assets allocated to functions	\$ 2,259,942	\$ 6,366,528	\$ 3,607,608	\$ -	\$ 12,234,078

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY -
 GENERAL FIXED ASSET ACCOUNT GROUP**
Year Ended June 30, 2001

	General Fixed Assets July 1, 2000	Additions	Reductions	Transfers	General Fixed Assets June 30, 2001
General government	\$ 7,962,934	\$ 54,901	\$ (67,949)	\$ (2,750)	\$ 7,947,136
Public safety	1,822,180	84,819	(42,428)	983,064	2,847,635
Public works	796,494	110,563	(35,603)	-	871,454
Parks, recreation and cultural	544,683	40,140	(19,720)	2,750	567,853
Construction in progress	246,064	737,000	-	(983,064)	-
Total general fixed assets	\$ 11,372,355	\$ 1,027,423	\$ (165,700)	\$ -	\$ 12,234,078

The accompanying notes are an integral part of these financial statements.

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CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS -
 GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP**

 Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
General obligation bonds	\$ 7,192,080	\$ 1,572,428	\$ 378,830	\$ 8,385,678
State Literary Fund loans	6,626,810		476,418	6,150,392
Total general long-term indebtedness	13,818,890	1,572,428	855,248	14,536,070
Accrued compensated absences	187,703	11,500	-	199,203
Total general long-term obligations	\$ 14,006,593	\$ 1,583,928	\$ 855,248	\$ 14,735,273

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF GENERAL OBLIGATION BONDS
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

Year Ended June 30, 2001										
General Obligation Bonds	Issue Date	Final Maturity Date	Interest Rates	Interest Due Dates	Amount Authorized and Issued	Bonded Debt Outstanding July 1, 2000	Principal Paid 2000-2001	Bonding Debt Outstanding June 30, 2001	Maturities Due 2001-2002	
Schools	12/15/89	12/15/09	6.85%, 7.20%	12/15, 6/15	\$ 1,500,000	\$ 670,000	\$ 65,000	\$ 605,000	\$ 70,000	
City	03/22/94	01/01/16	3.90%, 5.375%	7/1, 1/1	4,900,000	4,465,000	195,000	4,270,000	200,000	
Schools	11/19/98	07/15/18	3.60%, 5.10%	7/15, 1/15	650,000	615,000	35,000	580,000	35,000	
City	12/29/98	03/01/16	4.50%	3/1, 9/1	1,546,415	1,442,080	63,473	1,378,607	66,330	
Schools	06/29/01	01/01/16	6.82%	1/1	647,428	-	-	647,428	45,296	
City	08/25/00	09/01/15	5.43%	3/1, 9/1	925,000	-	20,357	904,643	42,388	
					\$ 10,168,843	\$ 7,192,080	\$ 378,830	\$ 8,385,678	\$ 459,014	

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

June 30, 2001

	Governmental Fund Types		Fiduciary Fund types Agency	Account Groups			Total (Memorandum Only)
	Special Revenue			General Fixed Assets	Long-term Obligations	General	
	General						
ASSETS AND OTHER DEBITS							
Assets							
Cash and cash equivalents	\$ 1,531,601	\$ 23,952	\$ 269,632	\$ -	\$ -	\$ -	\$ 1,825,185
Other receivables	12,802	-	-	-	-	-	12,802
Due from other governmental units	481,371	-	-	-	-	-	481,371
Inventory	-	4,469	-	-	-	-	4,469
Fixed assets	-	-	-	21,508,608	-	-	21,508,608
Other debits							
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	96,716	96,716
Total assets and other debits	\$ 2,025,774	\$ 28,421	\$ 269,632	\$ 21,508,608	\$ 96,716	\$ 96,716	\$ 23,929,151
LIABILITIES, EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued liabilities	\$ 1,562,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,562,057
Accrued compensated absences	-	-	-	-	96,716	-	96,716
Due to primary government	121,799	-	-	-	-	-	121,799
Amounts held for others	-	-	269,632	-	-	-	269,632
Deferred revenues	20,411	-	-	-	-	-	20,411
Total liabilities	1,704,267	-	269,632	-	96,716	-	2,070,615
Equity and other credits							
Investment in general fixed assets	-	-	-	21,508,608	-	-	21,508,608
Fund balances:							
Reserved for encumbrances	321,507	-	-	-	-	-	321,507
Reserved for inventory	-	4,469	-	-	-	-	4,469
Unreserved and undesignated	-	23,952	-	-	-	-	23,952
Total equity and other credits	321,507	28,421	-	21,508,608	-	-	21,858,536
Total liabilities, equity and other credits	\$ 2,025,774	\$ 28,421	\$ 269,632	\$ 21,508,608	\$ 96,716	\$ 96,716	\$ 23,929,151

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINING STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2001

	General Fund	Special Revenue	Total Component Unit
Revenue			
Revenue from use of money and property	\$ -	\$ 219	\$ 219
Charges for services	18,910	308,106	327,016
Intergovernmental:			
Commonwealth of Virginia	8,390,362	7,409	8,397,771
Federal government	652,161	32,309	684,470
Miscellaneous	122,245	14,580	136,825
Total revenue	9,183,678	362,623	9,546,301
Expenditures			
Current:			
Education	14,681,719	418,652	15,100,371
Capital outlays	8,515	-	8,515
Debt service:			
VRS early retirement pension liability	713,511	-	713,511
Total expenditures	15,403,745	418,652	15,822,397
Deficiency of revenue over expenditures	(6,220,067)	(56,029)	(6,276,096)
Other financing sources (uses)			
Operating transfers from primary government	6,981,148	-	6,981,148
Operating transfers to primary government	(547,963)	-	(547,963)
Operating transfers in - general fund	-	47,749	47,749
Operating transfers out - special revenue fund	(47,749)	-	(47,749)
Total other financing sources - net	6,385,436	47,749	6,433,185
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	165,369	(8,280)	157,089
Fund balances - July 1, 2000	156,138	36,701	192,839
Fund balances - June 30, 2001	\$ 321,507	\$ 28,421	\$ 349,928

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL SCHOOL OPERATING FUND
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2001

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue			
Charges for services	\$ 48,874	\$ 18,910	\$ (29,964)
Intergovernmental:			
Commonwealth of Virginia	8,151,526	8,390,362	238,836
Federal government	689,924	652,161	(37,763)
Miscellaneous	154,973	122,245	(32,728)
Total revenue	9,045,297	9,183,678	138,381
Expenditures			
Current:			
General and financial administration	719,525	721,156	(1,631)
Instruction	9,161,718	9,161,363	355
Attendance and health services	194,340	199,270	(4,930)
Pupil transportation	521,626	523,793	(2,167)
Operation and maintenance of school plants	1,315,505	1,332,857	(17,352)
Fixed charges	2,434,777	2,257,536	177,241
Capital outlay	-	6,500	(6,500)
State and federal programs	906,386	653,128	253,258
Debt service	713,518	713,511	7
Total expenditures	15,967,395	15,569,114	398,281
Deficiency of revenue over expenditures - budgetary basis	(6,922,098)	(6,385,436)	536,662
Other financing sources (uses)			
Operating transfers in - primary government	6,981,148	6,981,148	-
Operating transfers out - primary government	-	(547,963)	(547,963)
Operating transfer out - special revenue fund	(59,050)	(47,749)	11,301
Total other financing sources - net	6,922,098	6,385,436	(536,662)
Excess of revenue and other financing sources over expenditures and other financing uses - budgetary basis	\$ -	-	\$ -
Less - encumbrances outstanding June 30, 2000, actually expended as of June 30, 2001		(156,138)	
Add - encumbrances outstanding June 30, 2001		321,507	
Excess of revenue and other financing sources over expenditures and other financing uses - GAAP basis		165,369	
Fund balance - July 1, 2000		156,138	
Fund balance - June 30, 2001		\$ 321,507	

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**COMBINING BALANCE SHEETS - AGENCY FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2001

Assets	<u>Instructional Support</u>	<u>School Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 52,601	\$ 217,031	\$ 269,632
Liabilities			
Amounts held for others	\$ 52,601	\$ 217,031	\$ 269,632

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2001

<u>Instructional Support</u>	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Assets				
Cash and cash equivalents	\$ 31,863	\$ 64,496	\$ 43,758	\$ 52,601
Liabilities				
Amounts held for others	\$ 31,863	\$ 64,496	\$ 43,758	\$ 52,601
 <u>School Activities</u>				
Assets				
Cash and cash equivalents	\$ 219,869	\$ 732,832	\$ 735,670	\$ 217,031
Liabilities				
Amounts held for others	\$ 219,869	\$ 732,832	\$ 735,670	\$ 217,031
 <u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 251,732	\$ 797,328	\$ 779,428	\$ 269,632
Liabilities				
Amounts held for others	\$ 251,732	\$ 797,328	\$ 779,428	\$ 269,632

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE -
 GENERAL FIXED ASSETS ACCOUNT GROUP
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

 June 30, 2001

General fixed assets

Land	\$ 243,223
Buildings and improvements	17,369,904
Machinery and equipment	<u>3,895,481</u>

Total general fixed assets \$ 21,508,608

Investment in general fixed assets by source

Fixed assets acquired prior to July 1, 2000	\$ 19,442,393
Inventory corrections	1,647,113
Fixed assets acquired after June 30, 2000:	
From federal grants	54,446
From state grants	133,574
From city grants	<u>231,082</u>

Total investment in general fixed assets \$ 21,508,608

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY -
 GENERAL FIXED ASSETS ACCOUNT GROUP
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

 June 30, 2001

	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Education	\$ 243,223	\$ 17,369,904	\$ 3,895,481	\$ -	\$ 21,508,608

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS -
GENERAL FIXED ASSETS ACCOUNT GROUP
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2001

	General Fixed Assets <u>July 1, 2000</u>	Inventory Corrections	<u>Additions</u>	<u>Reductions</u>	General Fixed Assets <u>June 30, 2001</u>
Education	\$ 19,442,393	\$ 1,647,113	\$ 419,102	\$ -	\$ 21,508,608

The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS -
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Accrued compensated absences	\$ 67,612	\$ 29,104	\$ -	\$ 96,716
VRS early retirement pension liability	615,121	-	615,121	-
Total general long-term obligations	\$ 682,733	\$ 29,104	\$ 615,121	\$ 96,716

The accompanying notes are an integral part of these financial statements.

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GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL

Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Primary government			
General fund:			
Revenue from local sources:			
General property taxes:			
Real property taxes	\$ 7,782,500	\$ 8,120,847	\$ 338,347
Public service corporation property taxes	156,800	168,564	11,764
Personal property taxes	1,032,375	1,495,673	463,298
Penalties and interest	100,000	136,414	36,414
Total general property taxes	9,071,675	9,921,498	849,823
Other local taxes:			
Sales and use taxes	330,000	375,179	45,179
Meals taxes	216,000	236,488	20,488
Consumers' utility taxes	420,000	416,631	(3,369)
Consumption tax	-	16,909	16,909
E-911 telephone taxes	170,000	158,401	(11,599)
Business license taxes	262,530	305,299	42,769
Franchise license taxes	72,000	74,894	2,894
Motor vehicle license taxes	260,000	273,624	13,624
Bank stock taxes	34,000	22,457	(11,543)
Recordation and wills taxes	104,000	87,581	(16,419)
Deeds of conveyance	18,000	16,891	(1,109)
Penalties licenses	7,000	-	(7,000)
Total other local taxes	1,893,530	1,984,354	90,824
Permits, privilege fees and regulatory licenses:			
Animal licenses	3,000	2,149	(851)
Permits and other licenses	96,000	106,263	10,263
Total permits, privilege fees and regulatory licenses	99,000	108,412	9,412
Fines and forfeitures	34,200	25,448	(8,752)
Revenue from use of money and property:			
Revenue from use of money	140,000	178,195	38,195
Revenue from use of property	48,000	48,270	270
Total revenue from use of money and property	188,000	226,465	38,465
Charges for services:			
Charges for sanitation and waste removal	12,447	13,065	618
Charges for library and fees	15,000	15,915	915
Total charges for services	27,447	28,980	1,533
Miscellaneous revenue:			
Miscellaneous	3,770	16,935	13,165
Donations	9,105	9,176	71
Total miscellaneous revenue	12,875	26,111	13,236
Total revenue from local sources	11,326,727	12,321,268	994,541

GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL

Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Primary government (Continued)			
General fund: (Continued)			
Revenue from the Commonwealth			
Noncategorical aid:			
ABC profits	\$ 28,770	\$ 29,421	\$ 651
Wine taxes	16,625	16,918	293
Mobile home titling taxes	5,300	5,564	264
Rolling stock tax	-	10	10
Personal property tax relief	1,427,625	1,106,555	(321,070)
Total noncategorical aid	1,478,320	1,158,468	(319,852)
Categorical aid:			
Shared expenses:			
Commissioner of the Revenue	83,314	82,358	(956)
Treasurer	93,089	91,616	(1,473)
Registrar/electoral board	42,036	41,172	(864)
Total shared expenses	218,439	215,146	(3,293)
Other categorical aid:			
State 599 police funds	258,526	248,808	(9,718)
Juvenile crime	29,265	29,265	-
Fire program fund	15,629	15,629	-
Department of emergency services	2,000	2,000	-
Fire software grant	1,000	1,000	-
Street and highway maintenance	582,000	582,000	-
Litter control	5,827	5,827	-
Library	115,005	115,005	-
Emergency medical services	5,361	5,361	-
COPS Fast Matching	-	11,654	11,654
COPS State assistance	6,186	-	(6,186)
VOPEX grant	6,161	14,508	8,347
Section 8 administrative fees	7,365	5,962	(1,403)
Miscellaneous	-	6,701	6,701
Comprehensive services	115,500	71,306	(44,194)
Total other categorical aid	1,149,825	1,115,026	(34,799)
Total categorical aid	1,368,264	1,330,172	(38,092)
Total revenue from the Commonwealth	2,846,584	2,488,640	(357,944)
Revenue from the federal government:			
Miscellaneous	95,855	93,243	(2,612)
Total revenue - primary government	\$ 14,269,166	\$ 14,903,151	\$ 633,985
Component Unit - School Board			
General fund:			
Revenue from local sources:			
Charges for services:			
Charges for education	\$ 48,874	\$ 18,910	\$ (29,964)
Miscellaneous revenue	154,973	122,245	(32,728)
Total revenue from local sources	203,847	141,155	(62,692)

**GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL**

Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Component Unit - School Board (Continued)			
General fund: (Continued)			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 1,463,215	\$ 1,433,909	\$ (29,306)
Basic school aid	4,992,740	4,945,402	(47,338)
Gifted and talented children	58,539	58,065	(474)
Special education	404,259	412,024	7,765
Vocational education	21,944	13,523	(8,421)
Social security	279,456	278,660	(796)
Teacher retirement	293,666	276,886	(16,780)
Teacher training	66,386	45,675	(20,711)
Other - education	109,739	99,355	(10,384)
Other	201,520	140,683	(60,837)
Remedial funds	74,807	73,184	(1,623)
Group life	10,938	11,840	902
Lottery funds	158,056	313,324	155,268
SOL incentive	16,261	16,129	(132)
School construction	-	271,703	271,703
Total revenue from the Commonwealth	8,151,526	8,390,362	238,836
Revenue from the federal government:			
Categorical aid:			
Title I	62,250	71,886	9,636
Title II	14,649	13,604	(1,045)
Title VI	13,777	12,526	(1,251)
Title III of P.L. 95-561 (formerly P.L. 874)	75,000	140,288	65,288
School food programs	59,050	50,091	(8,959)
Vocational education	55,858	26,251	(29,607)
Title VI-B	224,924	175,938	(48,986)
Other federal funds	104,957	98,272	(6,685)
Drug abuse grant	8,663	7,077	(1,586)
Technology literacy challenge grant	70,796	56,228	(14,568)
Total revenue from the federal government	689,924	652,161	(37,763)
Total revenue - Component Unit - School Board - School Operating Fund	\$ 9,045,297	\$ 9,183,678	\$ 138,381

GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government			
General fund:			
General government administration:			
Legislative - City Council	\$ 75,893	\$ 75,885	\$ 8
General and financial administration:			
City manager	222,650	218,761	3,889
Legal services	108,500	107,637	863
Independent auditor	18,000	18,000	-
Commissioner of the Revenue	177,862	167,055	10,807
Assessor/equalization board	112,354	107,128	5,226
Treasurer	199,232	197,916	1,316
Finance	201,426	199,807	1,619
Risk management	15,562	9,905	5,657
Total general and financial administration	1,055,586	1,026,209	29,377
Board of elections - electoral board and registrar	91,919	85,850	6,069
Total general government administration	1,223,398	1,187,944	35,454
Public safety:			
General district court	46,649	46,038	611
Clerk of the circuit court	(8,899)	(8,899)	-
Sheriff	53,732	53,732	-
Building maintenance	32,636	32,636	-
Total judicial administration	124,118	123,507	611
Law enforcement and traffic control - police department	1,428,310	1,376,191	52,119
Fire and rescue services - fire department	1,344,759	1,327,604	17,155
Correction and detention - county and regional operated institutions	144,848	144,784	64
Inspections - various	103,731	93,393	10,338
Other protection - animal control	43,000	43,000	-
Total public safety	3,188,766	3,108,479	80,287

**GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government (Continued)			
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering/administration	\$ 210,526	\$ 184,861	\$ 25,665
Highways, streets, bridges and sidewalks	628,354	581,663	46,691
Street lights	54,900	52,647	2,253
Total maintenance of highways, streets, bridges and sidewalks	893,780	819,171	74,609
Maintenance of general buildings and grounds	91,090	89,939	1,151
Total public works	984,870	909,110	75,760
Health and welfare:			
Health:			
Local health department	42,700	42,357	343
Mosquito control	156,806	145,917	10,889
Total health	199,506	188,274	11,232
Mental health and mental retardation - mental health	99,242	91,592	7,650
Welfare:			
Social services	88,844	89,461	(617)
Comprehensive services	150,000	115,783	34,217
Total welfare	238,844	205,244	33,600
Total health and welfare	537,592	485,110	52,482
Parks, recreation and cultural - supervision of parks and recreation	260,697	260,656	41
Library - administration	476,167	475,849	318
Total parks, recreation and cultural	736,864	736,505	359
Community development:			
Planning	176,908	164,211	12,697
Economic development	5,000	5,000	-
Community development	94,094	86,521	7,573
Total community development	276,002	255,732	20,270
Nondepartmental - miscellaneous	60,958	41,766	19,192
Total general fund expenditures	\$ 7,008,450	\$ 6,724,646	\$ 283,804

GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
School Operating Fund			
Education:			
Administration of schools:			
School board	\$ 5,312	\$ 5,170	\$ 142
School superintendent	88,400	91,959	(3,559)
School administration	298,875	292,076	6,799
Office support	189,000	194,740	(5,740)
Leases and rentals	32,500	28,972	3,528
Other	105,438	108,239	(2,801)
Total administration of schools	719,525	721,156	(1,631)
Instruction costs:			
Elementary and secondary schools	9,181,996	9,120,410	61,586
Summer schools	22,936	23,861	(925)
Other educational programs	31,101	17,092	14,009
Total instruction costs	9,236,033	9,161,363	74,670
Operating costs:			
Attendance and health services	194,340	199,270	(4,930)
Pupil transportation	521,626	523,793	(2,167)
Operating and maintenance of school plants	1,315,505	1,332,857	(17,352)
Fixed charges	2,434,777	2,257,536	177,241
Total operating costs	4,466,248	4,313,456	152,792
Capital outlays	-	6,500	(6,500)
Total education	14,421,806	14,202,475	219,331
State and federal programs:			
Title I	99,411	94,067	5,344
Title VI	11,905	10,654	1,251
Title VI-B	271,475	197,919	73,556
Gifted and talented	159,243	157,111	2,132
Drug abuse grant	8,663	6,062	2,601
Goals 2000	5,026	4,632	394
State technology grant	197,929	127,226	70,703
Title II	14,649	5,055	9,594
Technology literacy challenge	63,770	50,402	13,368
Total state and federal programs	832,071	653,128	178,943
Debt service:			
VRS early retirement pension liability	713,518	713,511	7
Total school operating fund expenditures	\$ 15,967,395	\$ 15,569,114	\$ 398,281

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF TREASURER'S ACCOUNTABILITY

June 30, 2001

Assets held by the Treasurer

Cash on hand	\$ 151,703
Cash in banks:	
Checking:	
First Virginia Bank of Tidewater	(294,714)
Wachovia Bank	(389,156)
Savings:	
First Virginia Bank of Tidewater	74,603
Money market funds:	
Langley Federal Credit Union	9
Repurchase agreement:	
First Virginia Bank of Tidewater	426,000
Wachovia Bank	963,346
Local Government Investment Pool (LGIP)	<u>6,279,036</u>
Total assets	<u>\$ 7,210,827</u>

Liabilities of the Treasurer

Balance of city and school funds	<u>\$ 7,210,827</u>
Total liabilities	<u>\$ 7,210,827</u>

Cash, cash equivalents and investments (per Exhibit 1)	<u>\$ 7,781,046</u>
Less:	
Cash held by SunTrust Bank	276,635
Cash held by School Activity Funds	217,030
Cash held by School Food Service Fund	23,953
Cash held by Poquoson Instructional Support	<u>52,601</u>
	<u>570,219</u>
Balance of city and school funds	<u>\$ 7,210,827</u>

Note: This schedule does not include the cash balances of the Special Revenue Fund or the Agency Funds of the Component Unit accounts of \$269,632 and \$23,953, respectively, since the Treasurer of the City of Poquoson does not have custody over this cash.

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF TREASURER'S ACCOUNTABILITY
ALL CITY FUNDS

Year Ended June 30, 2001

	Governmental Funds			Proprietary Funds			Agency Fund		Total (Memorandum Only)
	General	Debt Service	Capital Projects	Enterprise	Internal Service	Library	School Board		
Balance - July 1, 2000	\$ 3,630,646	\$ -	\$ 347,759	\$ 1,319,093	\$ -	\$ 51,615	\$ 1,348,277	\$ 6,697,390	
Receipts (net)									
General property taxes	9,906,327	-	-	-	-	-	-	9,906,327	
Other local taxes	2,015,012	-	-	-	-	-	-	2,015,012	
Permits, privilege fees and regulatory licenses	108,412	-	-	-	-	-	-	108,412	
Fines and forfeitures	25,448	-	-	-	-	-	-	25,448	
Revenue from use of money and property	226,465	-	7,494	111,152	-	3,132	-	348,243	
Charges for services	28,980	-	-	1,967,993	517,075	-	18,910	2,532,958	
Festivals	-	-	-	92,101	-	-	-	92,101	
Intergovernmental	2,565,914	-	255,299	-	-	-	8,988,190	11,809,403	
Proceeds from bonds	-	647,428	925,000	4,608,094	-	-	-	6,180,522	
Miscellaneous	26,111	-	11,533	16,290	-	-	134,485	188,419	
Total receipts	14,902,669	647,428	1,199,326	6,795,630	517,075	3,132	9,141,585	33,206,845	
Total receipts and balance	18,533,315	647,428	1,547,085	8,114,723	517,075	54,747	10,489,862	39,904,235	
Disbursements (net)									
Warrants (checks) issued	6,578,926	-	1,779,096	6,451,510	478,856	-	14,634,672	29,923,060	
Retirement of indebtedness	-	855,248	-	199,267	-	-	615,121	1,669,636	
Interest and other debt costs	-	591,570	-	463,003	-	-	98,390	1,152,963	
Total disbursements	6,578,926	1,446,818	1,779,096	7,113,780	478,856	-	15,348,183	32,745,659	
Balance before transfers	11,954,389	(799,390)	(232,011)	1,000,943	38,219	54,747	(4,858,321)	7,158,576	
Interfund transfers									
Transfers in	685,477	1,446,818	611,770	625,385	-	-	6,981,148	10,350,598	
Transfers out	(8,917,693)	(647,428)	-	(142,000)	-	-	(591,226)	(10,298,347)	
Balance - June 30, 2001	\$ 3,722,173	\$ -	\$ 379,759	\$ 1,484,328	\$ 38,219	\$ 54,747	\$ 1,531,601	\$ 7,210,827	

Note: These receipts and disbursements are recorded on a cash basis. Revenues and expenditures reflected in the other supplementary data and basic financial statements are recorded on the accrual or modified accrual basis.

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF TREASURER'S ACCOUNTABILITY TO THE COMMONWEALTH

Year Ended June 30, 2001

	Balance July 1, 2000	Collections	Remittances	Balance June 30, 2001
2001 Taxes				
Estimated income taxes	\$ -	\$ 320,162	\$ 320,162	\$ -
2000 Taxes		522,550	522,550	-
Estimated income taxes	660	470,517	471,177	-
1999 Taxes				
Taxable year income taxes	-	15,094	15,094	-
Other collections				
Penalties	-	205	205	-
Interest	-	35	35	-
Total	\$ 660	\$ 1,328,563	\$ 1,329,223	\$ -

This schedule has been prepared on the cash basis of accounting.

CITY OF POQUOSON, VIRGINIA**COMPUTATION OF LEGAL DEBT MARGIN**

Year Ended June 30, 2001

Total assessed value of taxed real property

General	\$ 721,546,098
Public service corporations	<u>15,164,288</u>

Total	\$ <u>736,710,386</u>
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Debt limit (10% of total assessed value)

	\$ <u>73,671,039</u>
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Debt applicable to debt limit

General obligation bonds, other than those authorized for a specific revenue producing project	8,385,678
State literary fund loans	<u>6,150,392</u>
	<u>14,536,070</u>

Margin for additional borrowing

	\$ <u>59,134,969</u>
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CITY OF POQUOSON, VIRGINIA

**GENERAL GOVERNMENTAL REVENUE BY SOURCE (ALL GOVERNMENTAL FUND TYPES)
LAST TEN FISCAL YEARS - UNAUDITED**

Fiscal Year	Years Ended June 30,										Total
	General Property Taxes	Other Local Taxes	Fees and Regulatory Licenses	Fines and Forfeitures	Revenues From Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental		
2001	\$9,921,498	\$1,984,354	\$108,412	\$25,448	\$226,684	\$355,996	\$162,936	\$-	\$11,998,083	\$24,783,411	
2000	\$9,247,685	\$1,890,427	\$100,194	\$35,957	\$208,774	\$359,386	\$151,675	\$-	\$10,950,626	\$22,944,724	
1999	\$9,364,276	\$1,825,575	\$107,561	\$36,062	\$307,428	\$239,137	\$168,112	\$-	\$9,831,553	\$21,879,704	
1998	\$8,995,589	\$1,671,810	\$94,133	\$23,081	\$408,521	\$285,782	\$137,800	\$-	\$8,794,214	\$20,410,930	
1997	\$8,850,776	\$1,632,564	\$86,424	\$37,324	\$311,902	\$285,666	\$176,700	\$-	\$8,549,493	\$19,930,849	
1996	\$8,216,988	\$1,568,265	\$86,190	\$28,645	\$344,660	\$284,952	\$108,003	\$-	\$8,031,850	\$18,669,553	
1995	\$8,089,248	\$1,476,909	\$99,207	\$36,579	\$352,718	\$292,440	\$115,006	\$6,445	\$8,050,648	\$18,519,200	
1994	\$7,041,541	\$1,274,871	\$85,736	\$20,057	\$83,974	\$354,996	\$129,471	\$14,078	\$7,975,631	\$16,980,355	
1993	\$7,075,565	\$1,188,590	\$69,006	\$23,169	\$90,270	\$334,433	\$148,847	\$10,722	\$7,401,981	\$16,342,583	
1992	\$5,724,503	\$1,158,353	\$60,427	\$15,063	\$79,741	\$603,345	\$36,800	\$16,531	\$7,098,973	\$14,793,736	

Note: Amounts include all general, special revenue, debt service and capital projects funds. (Beginning in 1994, the special revenue funds, while included here, are also reported in the Component Unit section of the City's general-purpose financial statements).

(1) Amounts include solid waste

CITY OF POQUOSON, VIRGINIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (ALL GOVERNMENTAL FUND TYPES)
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Years Ended June 30,										Total
	General Governmental Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Non-Departmental	Capital Outlay	Debt Service	
2001	\$ 1,172,028	\$ 3,092,622	\$ 889,179	\$ 464,380	\$ 15,100,371	\$ 730,150	\$ 258,403	\$ 35,366	\$ 1,667,339	\$ 2,160,329	\$ 25,570,167
2000	\$ 1,149,086	\$ 2,943,894	\$ 983,878	\$ 448,376	\$ 14,149,699	\$ 663,220	\$ 262,813	\$ 44,668	\$ 1,471,535	\$ 1,479,556	\$ 23,596,725
1999	\$ 1,059,566	\$ 2,708,722	\$ 868,873	\$ 440,107	\$ 13,244,386	\$ 637,317	\$ 244,481	\$ 45,541	\$ 3,898,984	\$ 1,428,956	\$ 24,576,933
1998	\$ 993,642	\$ 2,426,352	\$ 824,541	\$ 508,481	\$ 12,347,618	\$ 578,141	\$ 190,300	\$ 31,250	\$ 4,832,525	\$ 1,031,993	\$ 23,764,843
1997	\$ 906,797	\$ 2,269,253	\$ 850,212	\$ 416,236	\$ 11,985,078	\$ 527,120	\$ 158,661	\$ 35,630	\$ 5,299,946	\$ 1,039,044	\$ 23,487,977
1996	\$ 1,072,473	\$ 2,090,540	\$ 718,852	\$ 336,066	\$ 11,559,038	\$ 463,106	\$ 152,679	\$ 45,005	\$ 1,755,324	\$ 964,882	\$ 19,157,965
1995	\$ 973,735	\$ 1,914,373	\$ 723,404	\$ 394,437	\$ 10,838,127	\$ 438,282	\$ 182,145	\$ 45,245	\$ 1,737,494	\$ 1,100,303	\$ 18,347,545
1994	\$ 953,180	\$ 1,849,531	\$ 707,658	\$ 322,323	\$ 10,584,874	\$ 400,280	\$ 150,534	\$ 24,936	\$ 1,594,625	\$ 814,821	\$ 17,402,762
1993	\$ 876,683	\$ 1,785,494	\$ 677,972	\$ 249,439	\$ 9,879,115	\$ 377,761	\$ 192,136	\$ 34,850	\$ 342,339	\$ 818,036	\$ 15,233,825
1992	\$ 876,017	\$ 1,666,926	\$ 1,019,832 (1)	\$ 226,919	\$ 9,316,408	\$ 364,000	\$ 159,373	\$ 55,831	\$ 385,105	\$ 1,404,661	\$ 15,475,072

Note: Amounts include all general, special revenue, debt service and capital projects funds. (Beginning in 1994, the special revenue funds, while included here, are also reported in the Component Unit section of the City's general-purpose financial statements.)

(1) Amounts include solid waste.

CITY OF POQUOSON, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Years Ended June 30,		Percent of Levy Collected	Delinquent Tax Collections (1) (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
	Total Tax Levy (1)	Current Tax Collections (1)						
2001	\$9,554,596	\$9,232,273	96.63%	\$223,297	\$9,455,570	98.96%	\$282,512	2.96%
2000	\$9,287,339	\$8,985,622	96.75%	\$140,085	\$9,125,707	98.26%	\$161,632	1.74%
1999	\$9,447,775	\$8,979,383	95.04%	\$285,420	\$9,264,803	98.06%	\$182,972	1.94%
1998	\$8,913,085	\$8,511,426	95.49%	\$329,808	\$8,841,234	99.19%	\$71,851	0.81%
1997	\$8,932,859	\$8,536,177	95.56%	\$333,993	\$8,870,170	99.30%	\$62,689	0.70%
1996	\$8,369,492	\$8,093,042	96.70%	\$138,023	\$8,231,065	98.35%	\$138,427	1.65%
1995	\$8,089,471	\$7,609,147	94.06%	\$349,772	\$7,958,919	98.39%	\$130,552	1.61%
1994	\$7,132,498	\$6,631,907	92.98%	\$311,021	\$6,942,928	97.34%	\$189,570	2.66%
1993	\$7,372,939	\$6,821,287	92.52%	\$147,448	\$6,968,735	94.52%	\$404,204	5.48%
1992	\$5,842,831	\$5,551,031	95.01%	\$111,610	\$5,662,641	96.92%	\$180,190	3.08%

(1) Exclusive of penalties and interest

(2) Does not include land redemption

CITY OF POQUOSON, VIRGINIA**ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS - UNAUDITED****Years Ended June 30,**

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utility Real Property</u>	<u>Total</u>
2001	\$721,546,098	\$78,188,175	\$ 15,164,288	\$814,898,561
2000	\$647,091,321	\$71,338,462	\$ 14,038,764	\$732,468,547
1999	\$634,147,446	\$67,301,706	\$ 12,506,485	\$713,955,637
1998	\$586,329,508	\$60,695,776	\$ 11,986,052	\$659,011,336
1997	\$573,426,552	\$56,676,120	\$ 11,059,900	\$641,162,572
1996	\$526,576,600	\$54,717,549	\$ 10,941,642	\$592,235,791
1995	\$519,553,565	\$49,737,967	\$ 10,029,639	\$579,321,171
1994	\$479,545,983	\$44,305,479	\$ 9,913,738	\$533,765,200
1993	\$474,783,691	\$38,031,244	\$ 9,348,821	\$522,163,756
1992	\$456,653,735	\$38,684,730	\$ 9,032,429	\$504,370,894

CITY OF POQUOSON, VIRGINIA**PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS - UNAUDITED**

Years Ended June 30,					
<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Recreational Vehicles</u>	<u>Boats</u>
2001	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
2000	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
1999	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
1998	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
1997	\$1.12	\$ 4.50/3.85 (1)	\$1.12	\$1.50	\$1.50
1996	\$1.12	\$4.50	\$1.12	\$ 4.50/1.50 (3)	\$1.50
1995	\$1.12	\$4.50	\$1.12	\$4.50	\$1.50
1994	\$1.07	\$4.50	\$1.07	\$4.50	\$1.50
1993	\$1.02	\$4.50	\$1.02	\$4.50	\$1.50
1992	\$0.92	\$4.50	\$.92/1.02 (2)	\$4.50	\$1.50

(1) The property tax rate for personal property decreased January 1, 1997.

(2) The property tax rate for mobile homes increased January 1, 1992.

(3) The property tax rate for recreational vehicles decreased January 1, 1996.

CITY OF POQUOSON, VIRGINIA

**RATIO OF NET GENERAL OBLIGATION DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS - UNAUDITED**

Years Ended June 30,					
<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Net Bonded Debt (3)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2001	11,566 (1)	\$814,898,561	\$14,536,070	1.78%	\$1,257
2000 (a)	11,566 (1)	\$732,468,547	\$13,818,890	1.89%	\$1,195
1999	11,005 (2)	\$705,056,125	\$14,631,049	2.08%	\$1,329
1998	11,005 (2)	\$653,311,450	\$14,758,832	2.26%	\$1,341
1997	11,005 (2)	\$636,853,688	\$15,244,732	2.39%	\$1,385
1996	11,005 (2)	\$587,992,204	\$ 8,389,503	1.43%	\$ 762
1995	11,005 (2)	\$578,238,966	\$ 8,864,126	1.53%	\$ 805
1994	11,005 (2)	\$530,065,864	\$ 9,687,840	1.83%	\$ 880
1993	11,005 (2)	\$522,163,756	\$ 4,817,481	0.92%	\$ 438
1992	11,005 (2)	\$504,370,894	\$ 5,327,275	1.06%	\$ 484

(a) restated

- (1) Source: 2000 United States Census
- (2) Source: 1990 United States Census.
- (3) Does not include Enterprise and Internal Service general obligation debt, which are retired through revenues of the related operations.

CITY OF POQUOSON, VIRGINIA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL
GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS - UNAUDITED**

Years Ended June 30,

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service (1)</u>	<u>Percentage of Debt Service to Expenditures</u>
2001	\$25,570,167	\$ 2,160,329	8.45%
2000	\$23,596,725	\$ 1,479,556	6.27%
1999	\$24,576,933	\$ 1,428,956	5.81%
1998	\$23,764,843	\$ 1,031,993	4.34%
1997	\$23,487,977	\$ 1,039,044	4.42%
1996	\$19,157,965	\$ 964,882	5.04%
1995	\$18,347,545	\$ 1,100,303	6.00%
1994	\$17,402,762	\$ 814,821	4.68%
1993	\$15,233,825	\$ 818,036	5.37%
1992	\$15,475,072	\$ 1,404,661	9.08%

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

CITY OF POQUOSON, VIRGINIA**DEMOGRAPHIC STATISTICS****LAST TEN FISCAL YEARS - UNAUDITED****Years Ended June 30,**

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2001	11,566(1)	Not Available	2,483	Not Available
2000	11,566(1)	Not Available	2,474	Not Available
1999	11,005(2)	Not Available	2,485	2.5%
1998	11,005(2)	Not Available	2,481	2.2%
1997	11,005(2)	\$24,008	2,524	2.9%
1996	11,005(2)	\$23,044	2,445	2.9%
1995	11,005(2)	\$22,572	2,460	3.0%
1994	11,005(2)	\$22,017	2,320	3.3%
1993	11,005(2)	\$21,524	2,395	3.1%
1992	11,005(2)	\$21,214	2,330	3.7%

(1) Source: 2000 United States Census

(2) Source: 1990 United States Census

(3) Source: Virginia Employment Commission, Economic Information Services Division, combined amount for York County/Poquoson.

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

(5) Source: Virginia Employment Commission. Data is an annual average.

CITY OF POQUOSON, VIRGINIA**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS - UNAUDITED**

Years Ended June 30,

<u>Fiscal Year</u>	<u>Real Property Value (1)</u>	<u>New Construction (2)</u>	<u>Bank Deposits (3)</u>
2001	\$773,872,808	\$ 15,661,400	Not Available
2000	\$696,175,556	\$ 13,224,500	Not Available
1999	\$682,115,739	\$ 9,449,000	Not Available
1998	\$621,978,401	\$ 11,287,400	Not Available
1997	\$606,262,395	\$ 8,909,900	\$74,536,000
1996	\$557,804,500	\$ 6,900,200	\$71,754,000
1995	\$548,889,014	\$ 5,542,600	\$72,126,000
1994	\$507,703,857	\$ 5,417,900	\$66,964,000
1993	\$502,027,096	\$ 4,054,000	\$66,263,000
1992	\$483,035,157	\$ 5,648,800	\$66,748,000

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

(2) Source: Commissioner of the Revenue, City of Poquoson, (1992-1996);
City Assessor (1997 - 2001)

(3) Source: Center for Public Service, University of Virginia, (1992-1994); Federal Reserve Bank, Richmond (1995-1997).

CITY OF POQUOSON, VIRGINIA**PRINCIPAL TAXPAYERS****2001 ASSESSED VALUES - UNAUDITED****Year Ended June 30, 2001**

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Real Estate Assessment</u>
Poquoson Place Apartments	\$ 6,796,800	0.92 %
Bristol-Cardiff	5,622,700	0.76
Suburban Land Company	3,775,300	0.51
WCP, L.L.P.	3,660,800	0.50
Islander Associates	2,502,400	0.34
Universal of Poquoson	2,241,200	0.30
Vantage Healthcare Corporation	2,092,100	0.28
Carematrix of Dominion Village	1,801,800	0.24
Wachovia Bank	1,664,100	0.23
Langley Federal Credit Union	1,367,700	0.19
	<u>\$ 31,524,900</u>	<u>4.27 %</u>

**GENERAL INFORMATION AND MISCELLANEOUS STATISTICS
(UNAUDITED)**

June 30, 2001

1. A Short History of Poquoson

“Poquoson” is an Indian word for low, flat land. The City is believed to be one of the older English-speaking American settlements that still bears its original name.

Settlement of the Poquoson area was opened in 1628 by order of the Council of State at Jamestown. Many of the early settlers were plantation owners who, with their tenants and apprentices, originally lived south of the Back River. The Great Marsh and Messick Point were important shipping points as early as 1635 for tobacco and other products from the plantations.

After the Revolutionary War, the larger colonial plantations were divided and sold as smaller farms because they were no longer able to survive financially. Many of the people buying the farms were Methodists from Baltimore and the Eastern Shore. Methodism is a prevailing denomination in the City today.

Poquoson remained a “backwater” farming and fishing community. While there was extensive Civil War action on the Peninsula, there was no known war activity in Poquoson. However, many citizens fought for the Confederacy.

Poquoson's rural lifestyle began to change during World War I with the construction of Langley Field. Rapid changes and population growth occurred in the years following World War II. Farming and fishing quickly gave way to suburbanization.

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 officers and functions continue to be shared with York County.

2. Form of Government

Poquoson is organized under the Council-Manager form of government. The Poquoson City Council is composed of seven members who are elected by the voters and serve four-year terms. The City is divided into three precincts. Each precinct is entitled to two representatives. One representative is elected at large and he is the City Mayor. Persons elected to City Council take office on the first day of July 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 and various local boards, commissions and committees. The City Manager acts as Chief Executive and Administrative Officer of the City. He serves at the pleasure of Council, carries out its policies, directs business procedures and has the power of appointment and removal of the heads of all departments (except Constitutional officers) as well as all other employees of the City.

**GENERAL INFORMATION AND MISCELLANEOUS STATISTICS
(UNAUDITED)**

June 30, 2001

3. Fiscal Year

The fiscal year begins July 1, and ends the following June 30.

4. Assessments

Real estate is assessed biennially at "fair market value" by the City Assessor. This value is currently estimated to be 96% of actual value.

5. Taxes Due

Real estate taxes are assessed as of the first day of July. Real estate and personal property taxes are payable in two installments each year on December 5 and June 5. If paid after the due date, a penalty of \$10 or 10%, whichever is greater, is added. The penalty may not exceed the tax due. Interest at the rate of 10% per annum accrues on all delinquent taxes beginning on the first day following the due date. The interest may not exceed the tax due.

6. Overlapping Debt

The City of Poquoson is autonomous and entirely independent of any other political subdivision of the Commonwealth, being a separate and distinct political unit. It has no overlapping debt with other political units.

7. Land Area

	Acres	Square Miles
Non-wetlands	4,997	7.5
Wetlands	4,398	7.2
Totals	<u>9,395</u>	<u>14.7</u>

8. Miles of Roadway

	Miles
Secondary	<u>46.75</u>

9. Population

1960 U. S. Census Count	4,278
1970 U. S. Census Count	5,441
1980 U. S. Census Count	8,726
1990 U. S. Census Count	11,005
2000 U. S. Census Count	11,566

**GENERAL INFORMATION AND MISCELLANEOUS STATISTICS
(UNAUDITED)**

June 30, 2001

10. Education

	<u>Number of Schools</u>	<u>Average Daily Enrollment (Students)</u>
Primary	1	459
Elementary	1	550
Middle	1	624
High	1	826

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2001

Federal granting agency/recipient state agency/grant Program/grant number	Federal Catalogue Number	Federal Expenditures
U. S. Department of Agriculture:		
Pass through payments:		
Department of Social Services Food Stamp Program	10.551	\$ 120,508
Department of Education:		
National School Lunch Program	10.555	50,091
State Department of Agriculture and Consumer Services:		
National School Lunch Program:		
USDA donated commodities	10.555	32,309
U. S. Department of Defense:		
Direct payments:		
Troops to Teachers	12.000	24,083
School assistance in federally affected areas program-supplemental	12.000	24,461
E-rate	12.000	13,372
U. S. Department of the Interior:		
Direct payments:		
Payments in lieu of taxes - Public Law Number 97-258 (National forest acreage in the localities)	15.611	5,568
U. S. Department of Justice:		
Direct payments:		
Asset Forfeiture and Money Laundering Section	16.000	2,786
Drug Seizure-Treasury	16.000	2,733
COPS Grants	16.710	46,899
Pass through payments:		
Virginia Department of Criminal Justice Local Law Enforcement Block Grant	16.592	9,900
Department of Labor:		
Pass through payments:		
Commonwealth of Virginia, Office of the Virginia Business Partnership	17.249	23,500
U.S. Department of Transportation:		
Pass through payments:		
Department of Motor Vehicles: Alcohol Traffic Safety Incentive	20.601	11,724
Institute of Museum & Library Services:		
Pass through payments:		
The Library of Virginia	45.310	12,500

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2001

Federal granting agency/recipient state agency/grant Program/grant number <i>(Continued)</i>	Federal Catalogue Number		Federal Expenditures
Department of Education:			
Direct payments:			
School assistance in federally affected areas program	84.041		115,827
Pass through payments:			
Education Consolidation and Improvements Act of 1981:			
Title I:			
Educationally deprived children LEA	84.010	*	71,886
Title VI:			
Improving school programs state block grant	84.298		12,526
Elementary and Secondary Education Act (ESEA):			
Title VI-B:			
Assistance to states for education of handicapped children:			
Special Education grants	84.027	*	182,573
Handicapped preschool incentive grant	84.173		12,024
Vocational education:			
Vocational education	84.048		26,251
Special projects:			
Drug-free schools and communities act	84.186		7,077
Goals 2000 Educate America Act	84.276		5,026
Technology Literacy Challenge Grant	84.318		49,202
Virginia Department of Education:			
Title II	84.281		13,604
Advance Placement Grants	84.330		144
Class size reduction	84.340		21,646
			<u>\$ 898,220</u>

* Represents a major program of the City of Poquoson.

June 30, 2001

NOTE 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 general-purpose 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*.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2001, the food service organization had food commodities totaling \$4,469 in inventory.

* * * * *



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

The Honorable Mayor and City Council
City of Poquoson, Virginia

We have audited the financial statements of the **City of Poquoson, Virginia**, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Poquoson's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

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

Newport News, Virginia
October 4, 2001

739 Thimble Shoals Boulevard, Building 1000, Suite 1008, Newport News, VA 23606-3585
ph: 757.873.1033 fax: 757.873.1106 www.goodmanco.com

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

The Honorable Mayor and 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, 2001. 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 consider 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.

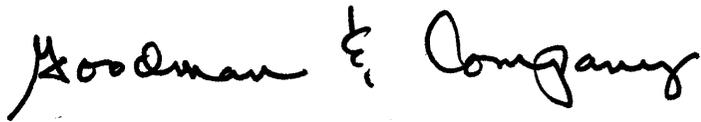
In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

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

A handwritten signature in black ink that reads "Goodman & Company". The signature is written in a cursive, flowing style.

Newport News, Virginia
October 4, 2001



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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

The Honorable Mayor and City Council
City of Poquoson, Virginia

We have audited the general-purpose financial statements of the **City of Poquoson, Virginia** (the "City"), as of and for the year ended June 30, 2001, and have issued our report thereon dated October 4, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

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

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

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

State Agency Requirements

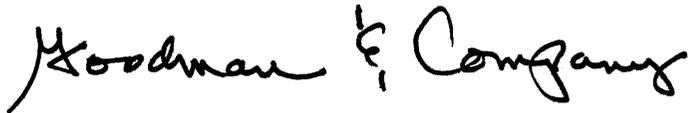
- Education
- Comprehensive Youth Services Act
- Highway Maintenance Funds

739 Thimble Shoals Boulevard, Building 1000, Suite 1008, Newport News, VA 23606-3585
ph: 757.873.1033 fax: 757.873.1106 www.goodmanco.com

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The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the **City of Poquoson, Virginia**, had not complied, in all material respects, with those provisions.

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

A handwritten signature in black ink that reads "Hoodman & Company". The signature is written in a cursive, flowing style.

Newport News, Virginia
October 4, 2001

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2001

1. SUMMARY OF AUDITORS' RESULTS

- a. An unqualified opinion was issued on the general-purpose financial statements.
- b. There were no reportable conditions noted in internal control to disclose.
- c. The audit did not disclose any material noncompliance.
- d. There were no reportable conditions noted in internal control over major programs to disclose.
- e. An unqualified opinion was issued on compliance for major programs.
- f. The audit disclosed no audit findings required to be reported.
- g. The major programs are:
 - i) Educationally Deprived Children (Title I) (CFDA No.84.010)
 - ii) Assistance to States for Education of Handicapped Children LEA (Title VI-B) (CFDA No. 84.027)
- h. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- i. The City of Poquoson was determined to be a low-risk auditee.

B. FINDINGS RELATING TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING PRINCIPLES.

None

C. FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS

None

D. FINDINGS AND QUESTIONED COSTS - STATE PROGRAMS

None

E. RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 2000.

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