



**City of Poquoson, Virginia**  
**Comprehensive Annual Financial Report**  
**Fiscal Year July 1, 2010 – June 30, 2011**

***Comprehensive Annual  
Financial Report***

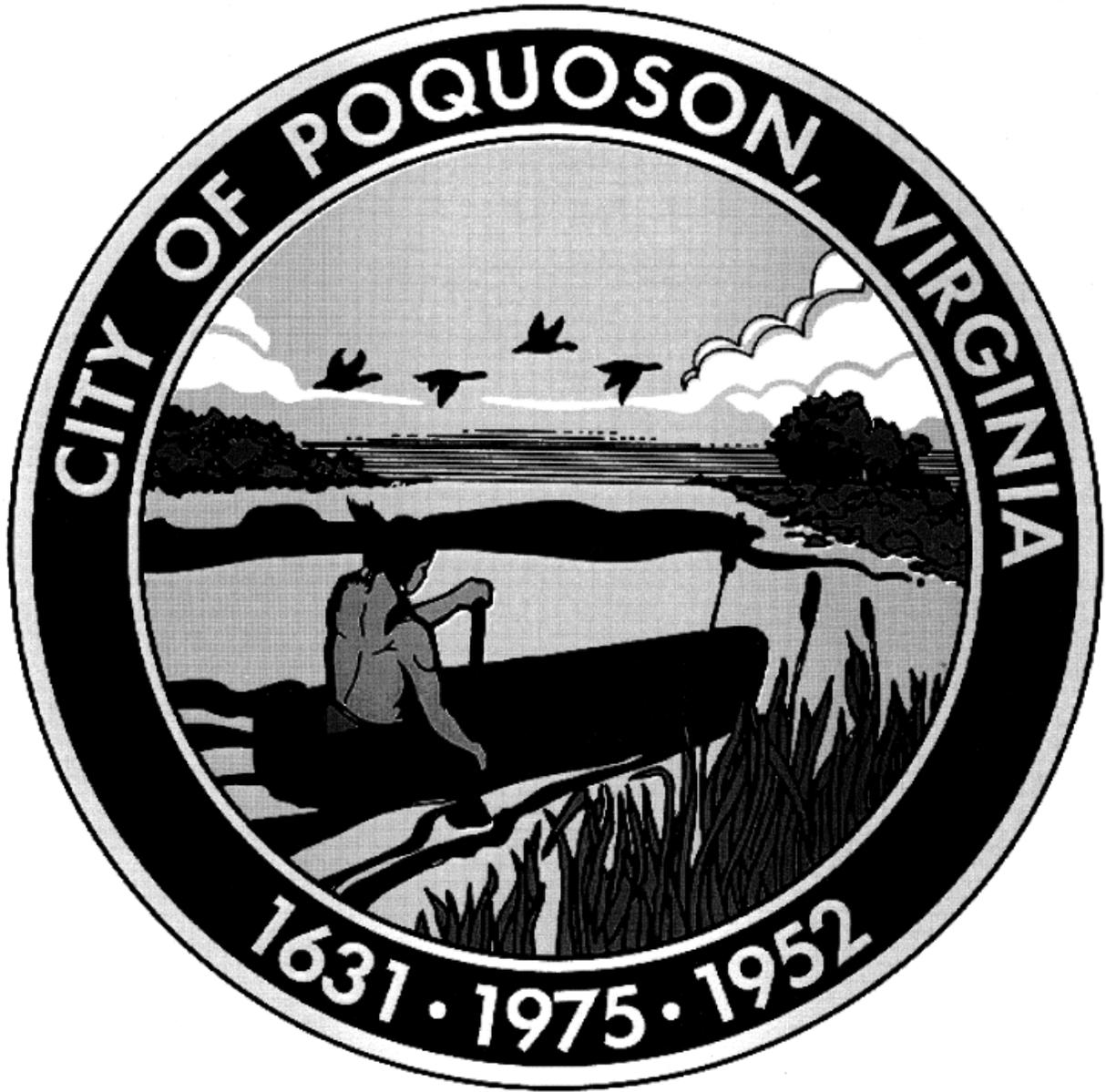
***City of Poquoson, Virginia***

***Fiscal Year Ended June 30, 2011***

***Prepared by:***

***The Department of Finance***

***Theresa S. Owens, CPA, Director of Finance***



*Introductory Section*

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*City of Poquoson, Virginia*  
*Government Officials*

**City Council**

W. Eugene Hunt, Jr., Mayor  
Carey L. Freeman, Vice Mayor  
Traci-Dale Crawford  
Herbert R. Green, Jr.  
Frank A. Kreiger  
Charles M. Southall, III  
Raymond E. Vernall

**City Officials**

J. Randall Wheeler, City Manager  
Theresa S. Owens, CPA, Director of Finance  
Steven D. Clarke, Treasurer  
Graham P. Wilson, Commissioner of the Revenue  
D. Wayne Moore, City Attorney  
Judy F. Wiggins, City Clerk

**School Board**

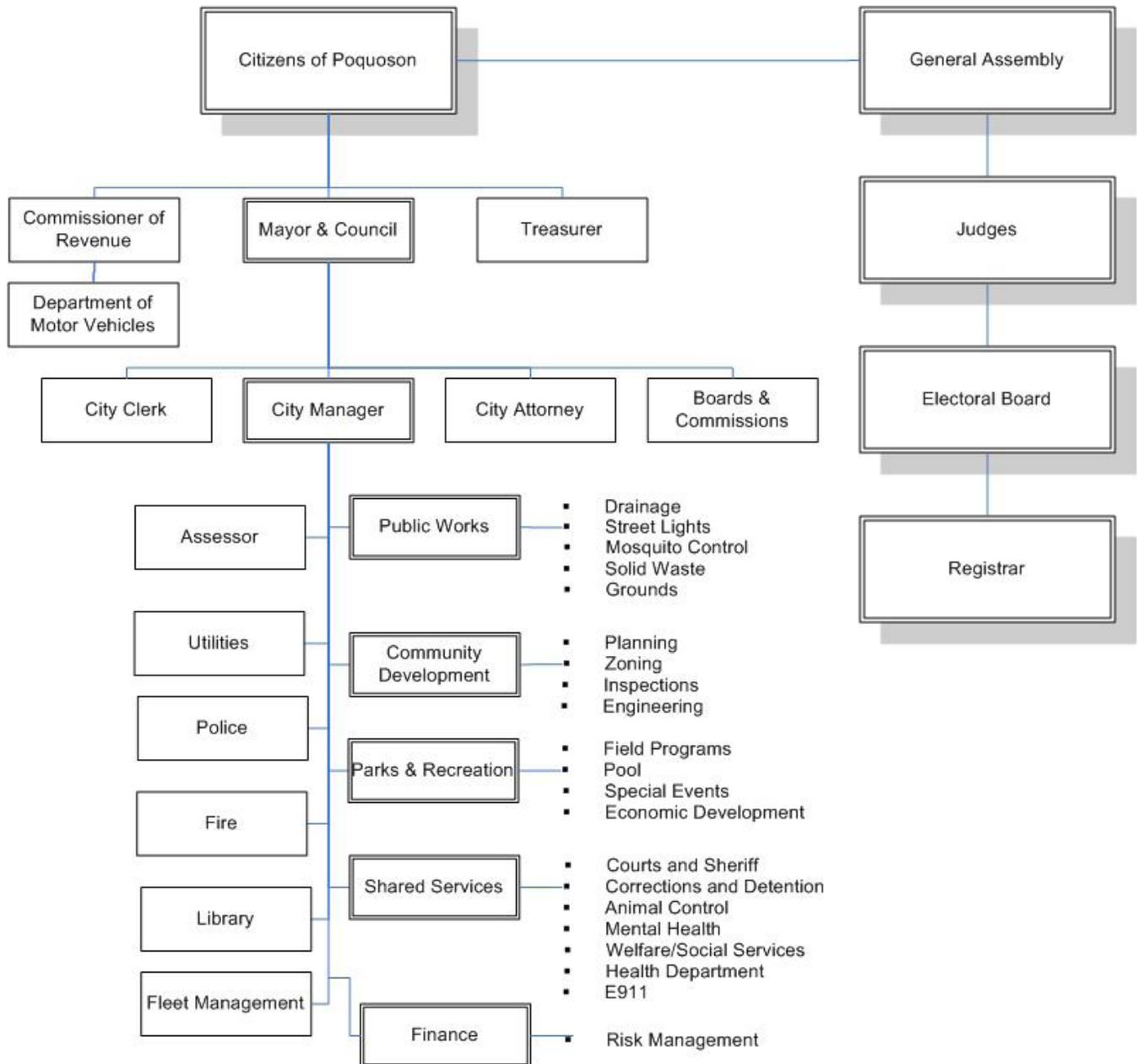
R. Scott Diggs, Chair  
William K. Smith, Vice Chair  
Robin C. Sydnor  
Gary W. Carter, Jr.  
Beth A. Wilson  
Thorbon W. Insley  
Allan Melton

**School Officials**

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

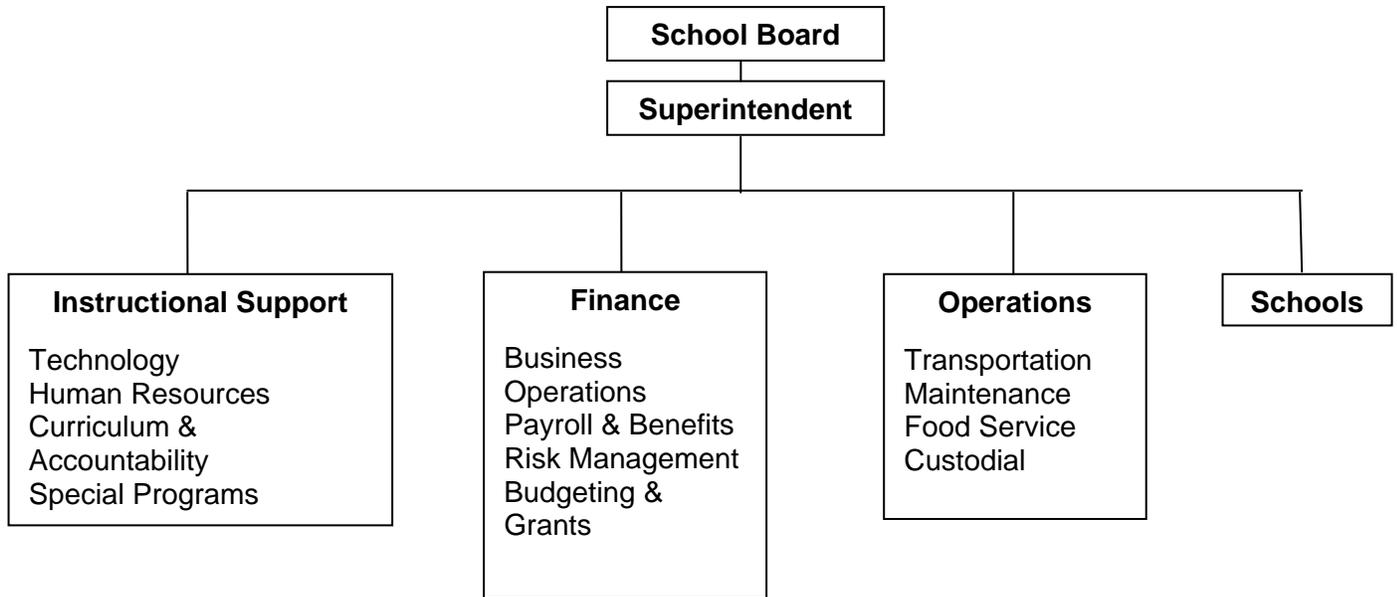
# CITY OF POQUOSON, VIRGINIA

## CITY GOVERNMENT ORGANIZATION CHART



# Poquoson City Public Schools

A Component Unit of the City of Poquoson



# 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, 2010

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



President

Executive Director

**City of Poquoson, Virginia**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2011**

**Table of Contents**

		<b>Page</b>
<b>Introductory Section</b>		
<i>Government Officials</i> .....		<i>i</i>
<i>City Government Organization Chart</i> .....		<i>ii</i>
<i>School Board Organization Chart</i> .....		<i>iii</i>
<i>Certificate of Achievement for Excellence in Financial Reporting</i> .....		<i>iv</i>
<i>Table of Contents</i> .....		<i>v - vii</i>
<i>Letter of Transmittal to City Council</i> .....		<i>viii - xii</i>
 <b>Financial Section</b>		
	<b>Exhibit</b>	<b>Page</b>
<i>Independent Auditors' Report</i> .....		1 - 2
<i>Management's Discussion and Analysis</i> .....		3 - 16
<i>Basic Financial Statements</i>		
<i>Government-Wide Financial Statements</i>		
Statement of Net Assets .....	A	17
Statement of Activities.....	B	18
<i>Governmental Funds Financial Statements</i>		
Balance Sheet - Governmental Funds .....	C	19
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets .....	C	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	D	21
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities.....	D	22
Statement of Net Assets - Proprietary Funds.....	E	23
Statement of Revenue, Expenses, and Changes in Fund Net Assets - Proprietary Funds .....	F	24
Statement of Cash Flows - Proprietary Funds .....	G	25
Statement of Fiduciary Assets and Liabilities .....	H	26
Combining Statement of Net Assets - Component Units .....	I	27
Combining Statement of Activities - Component Units.....	J	28
Notes to Basic Financial Statements .....		29 - 60
<i>Required Supplementary Information</i>		
Budgetary Comparison Schedule - General Fund (Budget Basis).....	K	61 - 66
Schedules of Funding Progress and Employer Contributions (Unaudited) - Virginia Retirement System .....	L	67
Other Post-Employment Benefits .....	M	68
Notes to Required Supplementary Information .....		69

**City of Poquoson, Virginia**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2011**

**Table of Contents (Continued)**

	<b>Schedule</b>	<b>Page</b>
<b>Financial Section (Continued)</b>		
<i>Other Supplementary Information</i>		
Combining Balance Sheet - Component Unit - School Board.....	1	70
Reconciliation of Combining Balance Sheet - Component Unit - School Board to Statement of Net Assets - Component Unit - School Board.....	1	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Unit - School Board .....	2	72
Reconciliation of Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Unit - School Board to Statement of Activities Component Unit - School Board .....	2	73
Budgetary Comparison Schedule - General Fund - School Board.....	3	74
Schedule of Changes in Capital Assets by Function and Activity - School Board.....	4	75
Combining Schedule of Changes in Assets and Liabilities - Agency Funds Discretely Presented Component Unit - School Board .....	5	76
Statement of Changes in Assets and Liabilities - Library Agency Fund.....	6	77
Statement of Cash Flows - Component Unit - Industrial Development Authority.....	7	78
<b>Statistical Section</b>	<b>Table</b>	<b>Page</b>
<i>Statistical Section Overview .....</i>		79
<i>Net Assets by Component.....</i>	1	80
<i>Change in Net Assets .....</i>	2	81 - 82
<i>Fund Balances - Governmental Funds - Last Ten Fiscal Years.....</i>	3	83
<i>Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years.....</i>	4	84
<i>Assessed Value and Est. Actual Value of Taxable Real Property - Last Ten Fiscal Years ....</i>	5	85
<i>Property Tax Levies and Collections - Last Ten Fiscal Years.....</i>	6	86
<i>Principal Taxpayers - 2011 and Nine Years Ago .....</i>	7	87
<i>Computation of Legal Debt Margin - Last Ten Fiscal Years .....</i>	8	88
<i>Ratios of Outstanding Debt by Type - Last Ten Fiscal Years.....</i>	9	89
<i>Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years.....</i>	10	90
<i>Demographic Statistics - Last Ten Fiscal Years.....</i>	11	91
<i>Principal Employers in Poquoson - 2011 and Nine Years Ago.....</i>	12	92
<i>Full-time Equivalent City Government Employees by Function / Program - Last Ten Fiscal Years.....</i>	13	93
<i>Operating Indicators by Function / Program - Last Ten Fiscal Years.....</i>	14	94
<i>Capital Assets Statistics by Function / Program - Last Ten Fiscal Years.....</i>	15	95

**City of Poquoson, Virginia  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2011**

**Table of Contents (Continued)**

	<b>Page</b>
<b>Compliance Section</b>	
<i>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....</i>	96 - 97
<i>Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....</i>	98 - 99
<i>Schedule of Expenditures of Federal Awards .....</i>	100
<i>Notes to Schedule of Expenditures of Federal Awards.....</i>	101
<i>Schedule of Findings and Questioned Costs .....</i>	102 - 103
<i>Summary Schedule of Prior Year Findings .....</i>	104

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## **CITY OF POQUOSON**

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500 City Hall Avenue, Poquoson, Virginia 23662-1996

(757)868-3000 Fax (757)868-3101

Office of the City Manager  
**J. Randall Wheeler**

November 30, 2011

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson (City) for the fiscal year ended June 30, 2011. An audited annual financial report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

Management assumes full responsibility for the reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City of Poquoson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants, have issued an unqualified opinion on the City's financial statements for the year ended June 30, 2011. The unqualified report of Cherry, Bekaert & Holland, L.L.P., the highest possible result of the audit process, is located at the front of the financial section of this report.

The independent audit of the financial statements of the City of Poquoson was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies and a state compliance audit. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

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

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

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

The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27<sup>th</sup> largest metropolitan statistical area in the country. The City of Poquoson is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles, and serves an estimated population of 12,150.

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

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

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

The City of Poquoson provides a full range of services, including police and fire protection; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services, community development activities, and cultural events. The City also owns and operates sewage facilities; picks up trash, recycling, landscaping and bulky items; owns and operates a City pool; and manages various paid recreational activities. In addition to general governing activities, the governing body has significant financial influence over the Schools and the Economic Development Authority (EDA), both of which are reported separately within the City of Poquoson's financial statements. Additional information on these two legally separate entities can be found in Note 1 in the notes to basic financial statements starting on page 29.

The annual budget serves as the foundation for the City of Poquoson's financial planning and control. All agencies and departments of the City of Poquoson are required to submit requests for appropriation to the City Manager in January. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager presents a proposed budget to City Council for review in April. The Council is required to hold public hearings on the proposed budget and must adopt a final budget no later than May 31. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments and additional appropriations require approval of City Council. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and therefore do not lapse after year-end. The budget-to-actual comparison for the General Fund starts on page 61 of the report.

### **Local Economy**

During the year ended June 30, 2011, the City continued to feel the impact of the national and state economic downturns. Real estate sales within the City are down and there has been an increase in foreclosures. However, we have seen a slight increase in permits and other local taxes. The City has also seen an increase in personal property taxes as a result of increasing values of mostly vehicles. The City also saw an increase in sales tax indicating a stable retail environment but had a slight decrease in meals tax indicating discretionary spending is down.

The City is primarily residential in nature and the lack of a strong commercial base in the City places a much higher burden on residents to fund the services of the City compared to neighboring localities. Although the City of Poquoson is challenged by few commercial enterprises, it is not as susceptible to change as other localities that depend on commercial revenue to fund services.

### **Long-term Financial Planning**

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

### **Relevant Financial Policies**

In October 2009, the City formally adopted a series of financial policy guidelines and in June 2011 modified these policies to incorporate GASB 54. The policies include debt policies as well as fund balance policies. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times, therefore one of the fund balance policies adopted included maintaining a minimum unobligated fund balance of 12%-15% of the current year budgeted expenditures.

## **Major Initiatives**

The City completed construction of capacity improvements to pump station 2. The increase in capacity allows the sewer system to meet existing flow requirements and allows for the potential development in the service area.

During the fiscal year 2010, the City began implementing the Sanitation Sewer Evaluation Study plan (SSES) as required in order to be in full compliance with the Hampton Roads-wide consent order on sanitary sewer overflows. The first phase is a three year plan to determine action needing to take place to control sewer overflows. The City will complete this phase of the plan by November 2011.

The City was allocated American Recovery and Reinvestment Act funds through the Hampton Roads Transportation Planning Organization for resurfacing part of Wythe Creek Road. Construction on this project was completed in September 2010.

During the fiscal year 2011, the City began the planning stages for constructing Phase I of the City's Public Works compound. Construction of the building began in November 2011.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-third consecutive year that the government has received the prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

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

The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Appropriated Budget for FY 2011. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

The City of Poquoson was included among "10 Perfect suburbs" featured on a CNBC.com slide show online. The list, posted on August 31 was compiled by Location Inc., a data analysis company and creator of consumer reference site NeighborhoodScout. The analysts used their databases to find suburbs with the best mix of affordable housing, good schools, educated neighbors, low crime, employment and reasonable commutes.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the School Board Finance Department, the Commissioner's office and the Treasurer's office. Credit also must be given to City Council for their unfailing support for maintaining the highest standards in the management of the City finances.

Respectfully submitted,

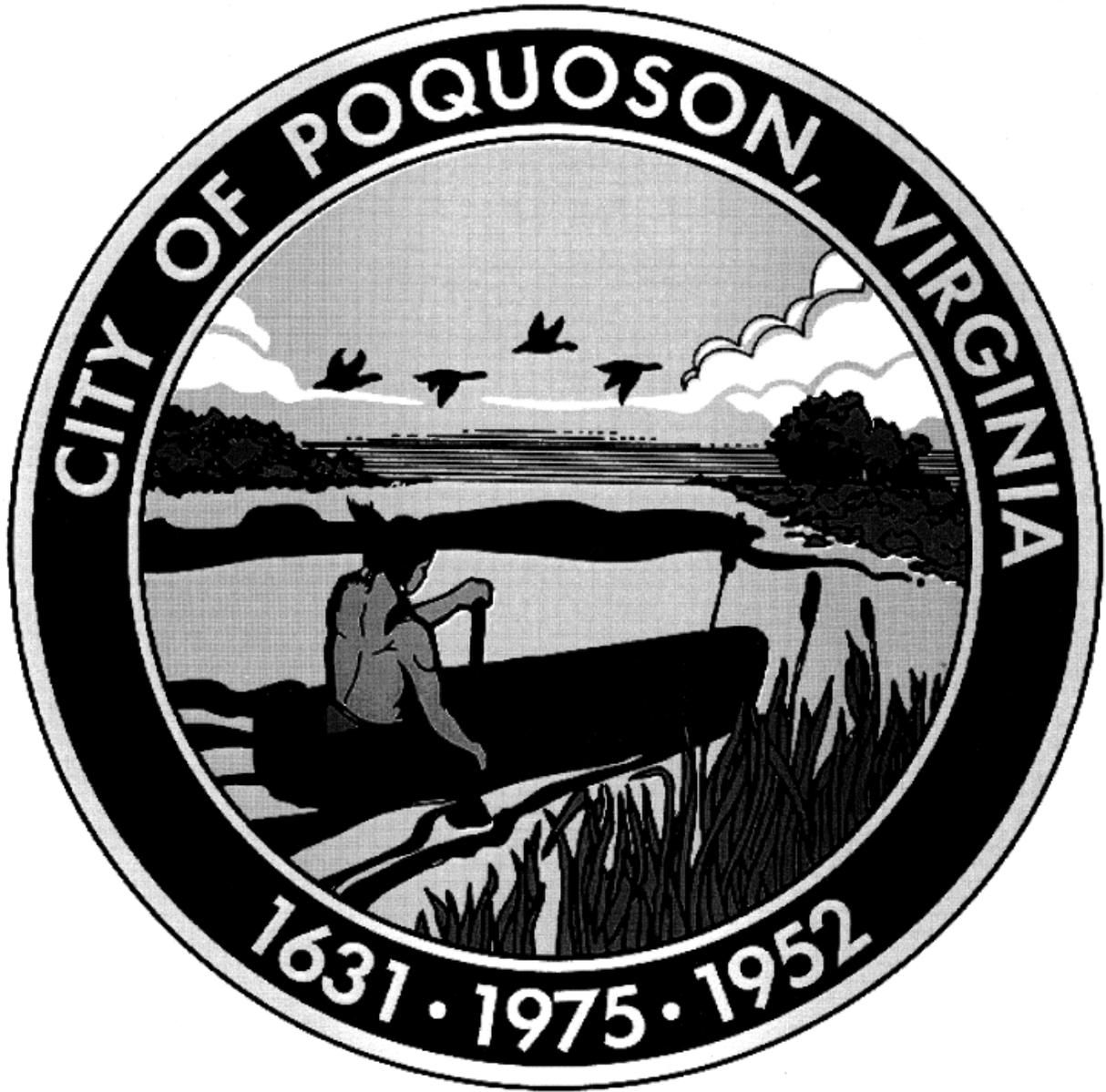


James R. Wheeler  
City Manager



Theresa S. Owens, CPA  
Director of Finance

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*Financial Section*

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## *Independent Auditors' Report*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Poquoson, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 on our consideration of the City of Poquoson, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-16, the budgetary comparison schedule for the general fund on pages 61-66, and the schedules of funding in progress on pages 67-68 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Poquoson, Virginia's basic financial statements. The introductory section, combining and individual non-major fund statements, statistical section, as well as the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund statements and schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Cheryl A. Schmitt" followed by a stylized flourish and "Holland, LLP".

Virginia Beach, Virginia  
November 29, 2011



## **City of Poquoson, Virginia**

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

**Management's Discussion and Analysis  
Financial Highlights  
Overview of the Financial Statements  
Government-Wide Financial Analysis  
Financial Analysis of the Government's Funds  
General Fund Budgetary Highlights  
Capital Asset and Debt Administration  
Economic Factors and Next Year's Budgets and Rates  
Requests for Information**

# **Management's Discussion and Analysis**

**Fiscal Year July 1, 2010 - June 30, 2011**

As management of the City of Poquoson, we offer readers of the City of Poquoson's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages viii through xii of this report.

## **Financial Highlights**

- The assets of the City of Poquoson exceeded its liabilities as of June 30, 2011 by \$29.1 million (net assets). Of this amount, \$6.9 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$0.06 million.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$6.6 million, of which \$4.8 million is available to spend at the City's discretion.
- As of June 30, 2011, unassigned fund balance for the General Fund was \$4.8 million, or 21% of total General Fund expenditures.
- The City of Poquoson's total debt outstanding at June 30, 2011 was \$39.9 million.

## **Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the City of Poquoson's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the City presents financial information with two different perspectives. With GASB Statement No. 34 the City presents government-wide financial statements, which provide both long-term and short-term information about the City's overall financial status and the fund financial statements, which presents fund-type information on a current financial resource basis.

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on Exhibits E, F and G of this report.

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-60 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City of Poquoson including financial information on the Poquoson Public School component unit. Supplementary information can be found on pages 61-69 of this report.

# Government-Wide Financial Analysis

Summary of Statement of Net Assets  
June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Current and other assets	\$8,187,695	\$7,369,720	\$897,805	\$1,798,009	\$9,085,500	\$9,167,729
Capital assets	48,082,237	48,857,538	14,448,633	14,656,576	62,530,870	63,514,114
<b>Total assets</b>	<b>\$56,269,932</b>	<b>\$56,227,258</b>	<b>\$15,346,438</b>	<b>\$16,454,585</b>	<b>\$71,616,370</b>	<b>\$72,681,843</b>
Current and other liabilities	\$2,575,831	\$2,493,639	\$933,213	\$995,561	\$3,509,044	\$3,489,200
Long-term liabilities	30,198,730	31,004,130	8,840,323	9,177,551	39,039,053	40,181,681
<b>Total liabilities</b>	<b>\$32,774,561</b>	<b>\$33,497,769</b>	<b>\$9,773,536</b>	<b>\$10,173,112</b>	<b>\$42,528,127</b>	<b>\$43,670,881</b>
Net assets:						
Invested in capital assets,						
Net of related debt	17,105,404	17,493,727	5,073,709	4,923,135	22,179,113	22,416,862
Unrestricted	6,389,967	5,235,762	499,193	1,358,338	6,889,160	6,594,100
<b>Total net assets</b>	<b>\$23,495,371</b>	<b>\$22,729,489</b>	<b>\$5,572,902</b>	<b>\$6,281,473</b>	<b>\$29,068,273</b>	<b>\$29,010,962</b>

Net assets serve as a useful indicator of a government's financial position. The City's combined net assets total \$29.1 million, excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$22.2 million. The City of Poquoson uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net assets of \$6.9 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Governmental Activities.** The government's net assets increased by \$0.06 million during FY 2011. The governmental activities increased by \$0.8 million and the business-type activities decreased by \$0.7 million. The increase in the governmental activities is due to higher than expected personal property tax revenue and vacancies in various departments. The decrease of the net assets of the business-type activities is due to expenses relating to a special order by consent for sanitary sewer overflows as ordered by the Federal Department of Environmental Quality.

Summary of Changes in Net Assets  
June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Revenues:						
Program revenues:						
Charges for services	\$656,645	\$597,637	\$2,476,935	\$2,410,192	\$3,133,580	\$3,007,829
Operating grants and contributions	1,881,297	1,986,470	-	-	1,881,297	1,986,470
Capital grants and contributions	419,225	330,892	-	-	419,225	330,892
General revenues:						
Real estate and personal property taxes	18,235,363	18,054,307	-	-	18,235,363	18,054,307
Other local taxes	2,464,223	2,451,932	-	-	2,464,223	2,451,932
Reimbursements from other agencies	75,318	102,239	-	-	75,318	102,239
Miscellaneous	(56,535)	51,462	132,530	99,480	75,995	150,942
Gain on disposal of capital assets	11,463	-	-	-	11,463	-
Unrestricted investment earnings	183,284	156,139	29,476	30,522	212,760	186,661
<b>Total revenues</b>	<b>\$23,870,283</b>	<b>\$23,731,078</b>	<b>\$2,638,941</b>	<b>\$2,540,194</b>	<b>\$26,509,224</b>	<b>\$26,271,272</b>
Expenses:						
General government	2,328,395	2,960,944	-	-	2,328,395	2,960,944
Public safety & judicial	6,147,949	6,016,699	-	-	6,147,949	6,016,699
Public works	1,883,380	950,043	-	-	1,883,380	950,043
Health and welfare	817,008	1,022,735	-	-	817,008	1,022,735
Education	9,080,484	10,906,525	-	-	9,080,484	10,906,525
Parks, recreation, cultural	1,224,910	859,051	-	-	1,224,910	859,051
Community development	488,893	547,051	-	-	488,893	547,051
Interest and fees on long-term debt	1,213,782	1,100,826	-	-	1,213,782	1,100,826
Sewer	-	-	2,057,173	1,685,334	2,057,173	1,685,334
Parks and recreation	-	-	450,025	401,006	450,025	401,006
Solid waste	-	-	791,114	766,921	791,114	766,921
<b>Total expenses</b>	<b>23,184,801</b>	<b>24,363,874</b>	<b>3,298,312</b>	<b>2,853,261</b>	<b>26,483,113</b>	<b>27,217,135</b>
<b>Change in net assets before transfers</b>	<b>685,482</b>	<b>(632,796)</b>	<b>(659,371)</b>	<b>(313,067)</b>	<b>26,111</b>	<b>(945,863)</b>
<b>Transfers</b>	<b>80,400</b>	<b>39,000</b>	<b>(49,200)</b>	<b>(39,000)</b>	<b>31,200</b>	<b>-</b>
<b>Increase (Decrease) in net assets</b>	<b>765,882</b>	<b>(593,796)</b>	<b>(708,571)</b>	<b>(352,067)</b>	<b>57,311</b>	<b>(945,863)</b>
<b>Net assets, beginning of year</b>	<b>22,729,489</b>	<b>23,323,285</b>	<b>6,281,473</b>	<b>6,633,540</b>	<b>29,010,962</b>	<b>29,956,825</b>
<b>Net assets, end of year</b>	<b>\$23,495,371</b>	<b>\$22,729,489</b>	<b>\$5,572,902</b>	<b>\$6,281,473</b>	<b>\$29,068,273</b>	<b>\$29,010,962</b>

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

	<b>FY 2011</b>	<b>FY 2010</b>
Real estate tax revenue	\$13,643,196	\$13,511,422
Public service corporation taxes	139,840	137,777
Personal property taxes	2,357,359	2,251,205
Penalties and interest	156,516	123,433
<b>Total</b>	<b>\$16,296,911</b>	<b>\$16,023,837</b>

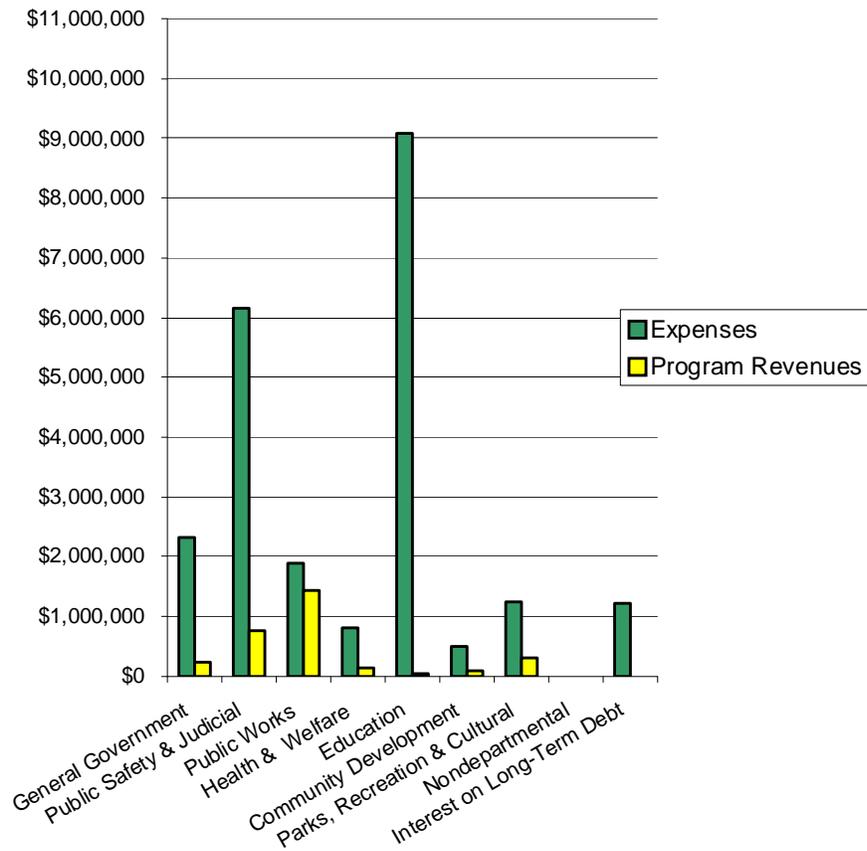
Real estate revenue increases in FY 2011 were due to a slight increase in assessments. The City's real estate property tax assessments were \$1,728,246,736 and \$1,719,852,121 for FY 2011 and FY 2010, respectively. The City's real estate tax rate was \$0.81 per \$100 of assessed value in FY 2011 and FY 2010.

The City's personal property tax assessments were \$127,720,810 and \$130,921,970 for FY 2011 and FY 2010 respectively. In FY 2011 and FY 2010 the City's personal property tax rate was \$4.15 per \$100 of assessed value for vehicles, \$1.50 per \$100 of assessed value for recreational vehicles and boats, and \$0.81 per \$100 of assessed value for mobile homes. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was \$1,923,431 for FY 2011 and FY 2010, and is classified as reimbursements from other agencies on the statement of activities.

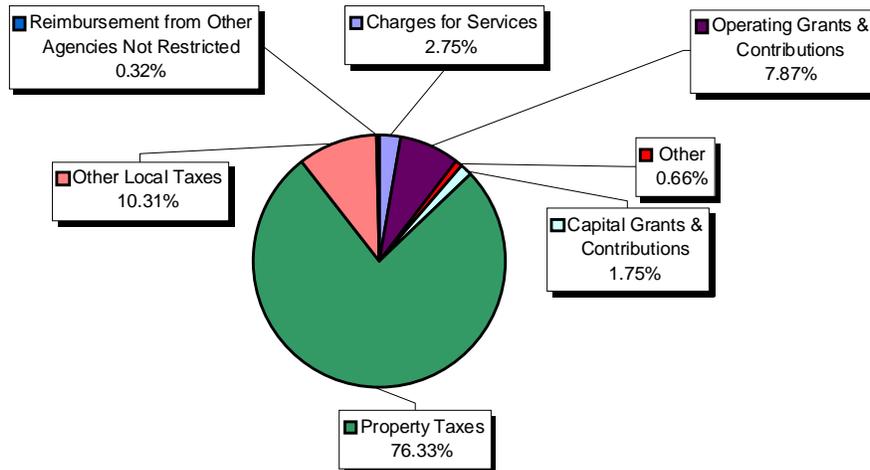
Other local taxes were \$2.5 million for FY 2011 and FY 2010, and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes and a variety of other taxes.

For FY 2011, expenses for governmental activities totaled \$23.2 million, including an expense of \$9.1 million to the component unit, Poquoson City School System. For FY 2010, expenses for governmental activities totaled \$24.3 million, including a net payment of \$10.1 million to the component unit, Poquoson City School System and \$40,000 payment to the EDA component unit.

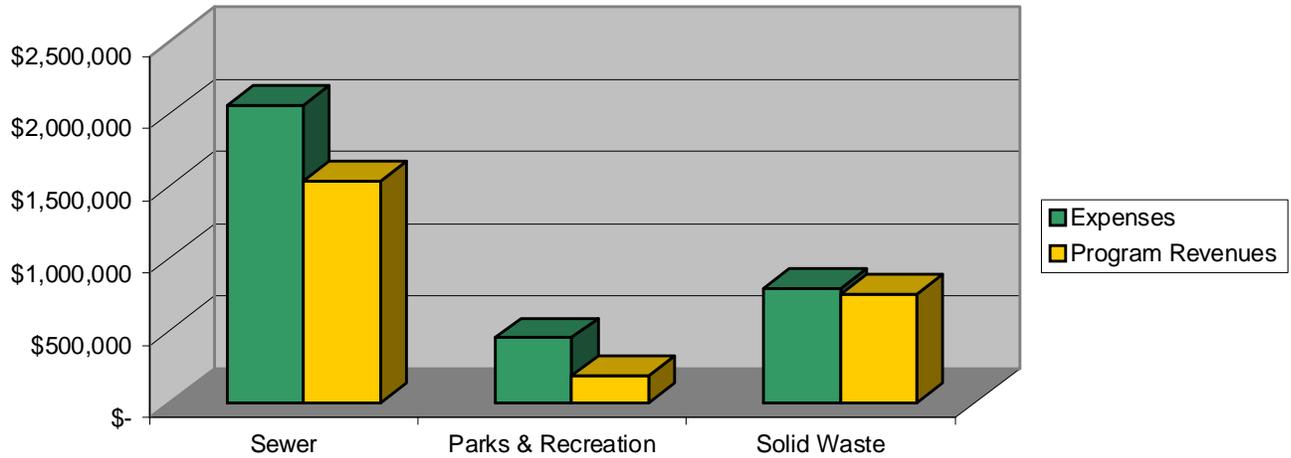
## Expenses and Program Revenues - Governmental Activities



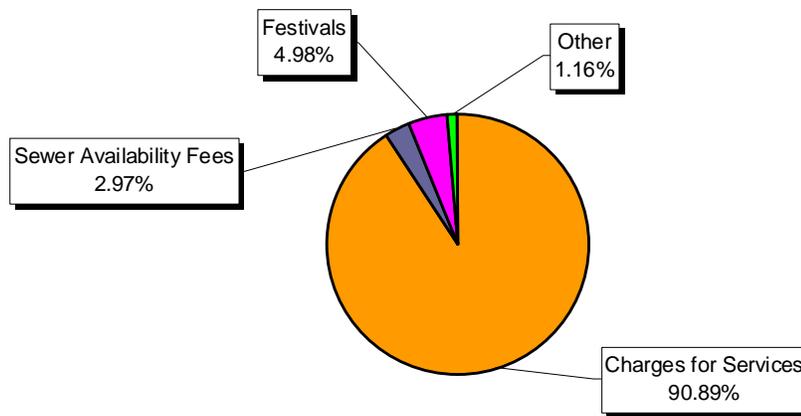
## Revenues by Sources - Governmental Activities



## Expense and Program Revenues - Business-Type Activities



### Revenues by Source - Business-Type Activities

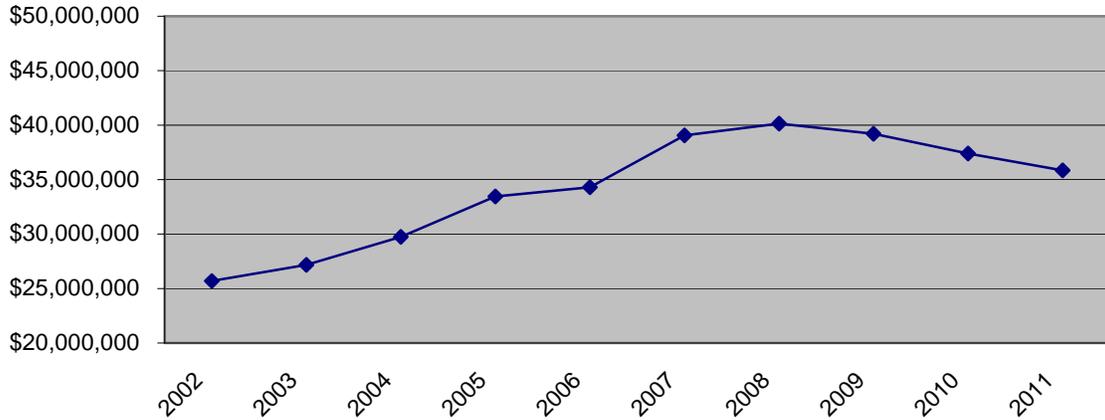


**Business-Type Activities.** Business-type activities decreased the City’s net assets before transfers by \$.66 million and \$.71 million after transfers. In order to keep the sewer usage rates from increasing significantly, City Council has budgeted to use a portion of net assets. In FY 2011, the City continued the implementation of the evaluation of the sewer system as called for by the Sanitary Sewer Evaluation Study to comply with the special order by consent for the sanitary sewer overflows as ordered by the Federal Department of Environmental Quality. Parks and Recreation user charges continue to be held as low as possible to accommodate all citizens, but have increasing expenses. The Parks and Recreation Fund had net losses over the last few years, indicating the need to either raise user fees or to receive supplemental government funds. Solid Waste user charges also continue to be held as low as possible, but the City has seen increasing costs and services.

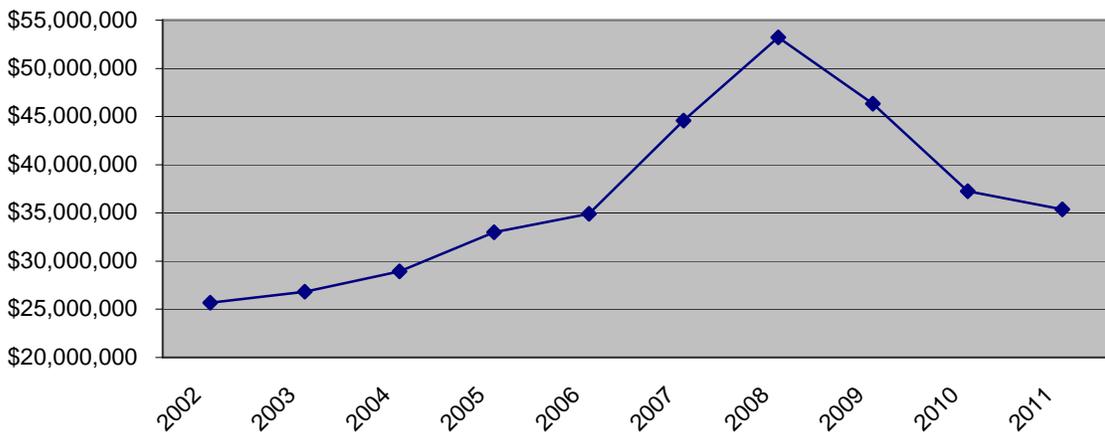
# Financial Analysis of the Government's Funds

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

## General Governmental Revenues



## General Governmental Expenditures



## General Fund Budgetary Highlights

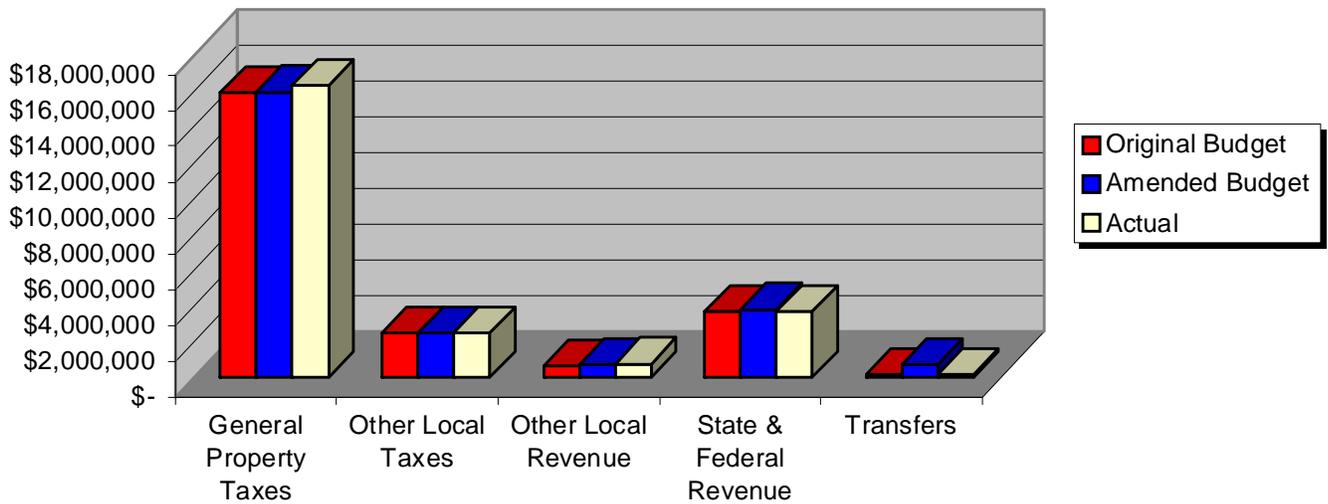
The City of Poquoson uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit K. The City records actual revenues and expenditures using generally accepted accounting principles (GAAP) with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit K, the non-GAAP budgetary expenditures are reconciled to the GAAP statements. The budget differences of \$.77 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$.09 million additional transfer to the schools for the prior year unspent transfer to support an early retirement incentive program to offset various revenue reductions from the state.
- \$.20 million re-appropriation of restricted revenue received for the Police Department, Fire Department and Library.
- \$.10 million appropriation for various grants for public safety.
- \$.06 million appropriation for additional revenue in charges for services, donations and personal property tax.
- \$.05 million appropriation for a transfer to the Capital Projects Fund.
- \$.13 million appropriation for employee compensation.
- \$.06 million appropriation for public safety and public works capital assets.
- \$.05 million appropriation for City donations to local organizations
- \$.02 million appropriation for donations received for various departments.

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

## General Fund Revenue

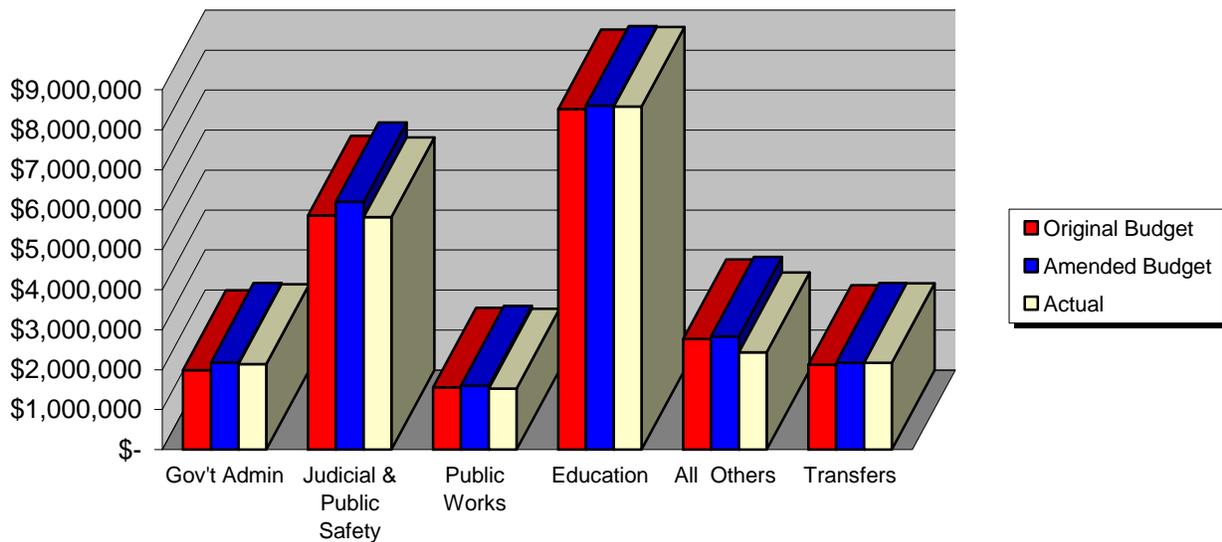
### Comparison of Budget to Actual



The City's actual general fund revenues of \$23.3 million surpassed the original budget by \$.5 million and show a decrease of \$.3 million from the amended budget. The City saw an increase in personal property tax assessments for calendar year 2011, therefore the June personal property tax revenue was approximately \$.3 million higher than originally budgeted.

## General Fund Expenditures

### Comparison of Budget to Actual



As reflected above, actual General Fund expenditures were \$22.6 million. The slight increase in expenditures is a result of increased use of regional corrections facilities and needed replacement of technology.

**Capital Projects Fund.** The Capital Projects Fund is used by the City to account for the acquisition and construction of major capital projects and large equipment purchases for the general government.

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

During FY 2011, capital projects of \$.8 million included the final construction costs for the new elementary school, new park development, and highway and drainage improvements.

## **Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$62.5 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, and allocated school buildings. The City owns roads, streetlights, and other infrastructure, but has only capitalized these assets placed in service since July 1, 2002. Infrastructure was capitalized beginning in FY 2007. The School Board component unit owns their school buildings; however, the City has issued the debt and/or provided the resources to build and renovate school buildings. Thus the State Code allows the schools to allocate a portion of their asset to the City, if the City has outstanding debt on the school building.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Land	\$3,014,479	\$3,014,479	\$243,216	\$243,216	\$3,257,695	\$3,257,695
Construction in progress	501,061	379,374	-	101,066	501,061	480,440
Buildings	6,566,132	6,878,161	1,572	4,515	6,567,704	6,882,677
Infrastructure	7,272,981	7,229,151	-	-	7,272,981	7,229,151
Land Improvements	1,672,874	1,855,574	-	-	1,672,874	1,855,574
Machinery and equipment	2,669,377	3,048,811	189,719	247,267	2,859,096	3,296,078
Sewer system	-	-	13,949,397	13,982,233	13,949,397	13,982,233
Sewer easement	-	-	7,000	7,000	7,000	7,000
Intangible	-	-	57,729	71,276	57,729	71,278
Allocated school buildings	26,385,333	26,451,988	-	-	26,385,333	26,451,988
<b>Total</b>	<b>\$48,082,237</b>	<b>\$48,857,538</b>	<b>\$14,448,633</b>	<b>\$14,656,573</b>	<b>\$62,530,870</b>	<b>\$63,514,114</b>

**Debt Administration.** Total outstanding general obligation debt at June 30, 2011 was \$39.9 million of which \$30.4 million is considered to be net direct tax supported debt. Included in the total debt are \$28.2 million in bonds and leases, and \$2.1 million in State Literary Loans. The remaining \$9.4 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund.

State statutes limit the amount of general obligation debt a government may issue up to 10% of its total assessed valuation of real estate and public service corporations. The June 30, 2011 debt limitation for the City of Poquoson is \$173 million, which is significantly in excess of the City of Poquoson's \$39.9 million outstanding net direct bonded debt.

Net Direct Tax Supported Debt  
General Governmental Activities

	FY 2011	FY 2010
Net direct bonded debt	\$30,490,882	\$31,367,902
Ratio of outstanding direct debt to assessed value	1.76%	1.82%
Net debt per capita	\$2,510	\$2,640

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

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

The FY 2012 budget was prepared with economic trends within the City taken into account:

- The unemployment rate for the City of Poquoson was 5.7% compared to a state-wide rate of 6.3% and a national average of 9.1%.
- FY 2012 is a reassessment year and due to the depressed housing market, assessments decreased 12.65%
- The FY 2012 budget was developed using an equalized real estate tax rate and little growth.
- The FY 2012 adopted budget includes a real estate tax rate of \$0.92 per \$100 of assessed value and personal property tax rate of \$4.15.
- It is expected that there will be decreases in funding from the Commonwealth of Virginia in FY 2013 due to economic conditions state-wide and nationally.

## **Requests for Information**

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

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

*Basic Financial Statements*

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**Statement of Net Assets****June 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 6,060,464	\$ 471,234	\$ 6,531,698	\$ 2,513,113
Property taxes receivable, net	529,195	-	529,195	-
Other receivables, net	194,430	415,568	609,998	487
Due from component units	27,022	-	27,022	-
Due from other governments	1,078,239	-	1,078,239	513,047
Inventory	25,294	8,659	33,953	18,085
Notes receivable	273,051	2,344	275,395	-
Capital assets				
Land and construction-in-process	3,515,540	243,216	3,758,756	3,074,852
Other capital assets, net	44,566,697	14,205,417	58,772,114	5,099,216
Capital assets, net	48,082,237	14,448,633	62,530,870	8,174,068
<b>Total assets</b>	<b>\$ 56,269,932</b>	<b>\$ 15,346,438</b>	<b>\$ 71,616,370</b>	<b>\$ 11,218,800</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,280,311	\$ 186,365	\$ 1,466,676	\$ 2,250,929
Bank overdraft	-	63,279	63,279	367,463
Accrued interest	392,077	108,907	500,984	-
Line of credit	-	-	-	1,416,438
Due to primary government	-	-	-	27,022
Noncurrent liabilities				
Due within one year	903,443	574,662	1,478,105	84,086
Due in more than one year	30,073,390	8,832,281	38,905,671	311,434
Other post employment benefit obligation	125,340	8,042	133,382	188,491
<b>Total liabilities</b>	<b>32,774,561</b>	<b>9,773,536</b>	<b>42,548,097</b>	<b>4,645,863</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	17,105,404	5,073,709	22,179,113	6,757,630
Unrestricted (deficit)	6,389,967	499,193	6,889,160	(184,693)
<b>Total net assets</b>	<b>23,495,371</b>	<b>5,572,902</b>	<b>29,068,273</b>	<b>6,572,937</b>
	<b>\$ 56,269,932</b>	<b>\$ 15,346,438</b>	<b>\$ 71,616,370</b>	<b>\$ 11,218,800</b>

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

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Component Units
						Business-Type Activities	Total	
<b>Primary Government</b>								
Government activities								
General government and administration	\$ 2,328,395	\$ 223,887	\$ -	\$ -	\$ (2,104,508)	\$ -	\$ (2,104,508)	\$ -
Public safety and judicial	6,147,949	300,870	386,647	61,659	(5,398,773)	-	(5,398,773)	-
Public works	1,883,380	-	1,222,497	210,538	(450,345)	-	(450,345)	-
Health and welfare	817,008	-	130,894	-	(686,114)	-	(686,114)	-
Education	9,080,484	36,347	-	-	(9,044,137)	-	(9,044,137)	-
Parks, recreation, cultural	1,224,910	61,820	134,051	95,021	(934,018)	-	(934,018)	-
Community development	488,893	33,721	7,208	52,007	(395,957)	-	(395,957)	-
Interest and fees on long-term debt	1,213,782	-	-	-	(1,213,782)	-	(1,213,782)	-
<b>Total governmental activities</b>	<b>23,184,801</b>	<b>656,645</b>	<b>1,881,297</b>	<b>419,225</b>	<b>(20,227,634)</b>	<b>-</b>	<b>(20,227,634)</b>	<b>-</b>
Business-type activities								
Sewer	2,057,173	1,531,319	-	-	(525,854)	-	(525,854)	-
Parks and recreation	450,025	189,782	-	-	(260,243)	-	(260,243)	-
Solid waste	791,114	755,834	-	-	(35,280)	-	(35,280)	-
<b>Total business-type activities</b>	<b>3,298,312</b>	<b>2,476,935</b>	<b>-</b>	<b>-</b>	<b>(821,377)</b>	<b>-</b>	<b>(821,377)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 26,483,113</b>	<b>\$ 3,133,580</b>	<b>\$ 1,881,297</b>	<b>\$ 419,225</b>	<b>(20,227,634)</b>	<b>(821,377)</b>	<b>(21,049,011)</b>	<b>-</b>
<b>Component Units</b>								
Poquoson Public Schools	\$ 21,420,203	\$ 380,427	\$ 11,536,751	\$ -	-	-	-	(9,503,025)
Industrial Development Authority	157,127	32,015	-	-	-	-	-	(125,112)
<b>Total component units</b>	<b>\$ 21,577,330</b>	<b>\$ 412,442</b>	<b>\$ 11,536,751</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,628,137)</b>
<b>General Revenues</b>								
Real estate and personal property taxes					18,235,363	-	18,235,363	-
Other local taxes					2,464,223	-	2,464,223	-
Payments from the City of Poquoson					-	-	-	8,811,240
Reimbursements from other agencies not restricted to specific programs					75,318	-	75,318	-
Miscellaneous					(56,535)	132,530	75,995	-
Unrestricted investment earnings					183,284	29,476	212,760	-
Gain (Loss) on disposal of capital assets					11,463	-	11,463	-
<b>Transfers</b>					80,400	(49,200)	31,200	(15,058)
<b>Total general revenues, transfers and miscellaneous</b>					20,993,516	112,806	21,106,322	8,796,182
<b>Change in net assets</b>					765,882	(708,571)	57,311	(831,955)
<b>Net assets, beginning of year</b>					22,729,489	6,281,473	29,010,962	7,404,892
<b>Net assets, end of year</b>					\$ 23,495,371	\$ 5,572,902	\$ 29,068,273	\$ 6,572,937

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

**Balance Sheet - Governmental Funds****June 30, 2011**

Assets	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and cash investments	\$ 4,802,495	\$ -	\$ 1,182,213	\$ 5,984,708
Property taxes receivable, net	529,195	-	-	529,195
Other receivables	194,178	-	-	194,178
Notes receivable	273,051	-	-	273,051
Due from component units	27,022	-	-	27,022
Due from other governmental units	1,074,255	-	3,984	1,078,239
<b>Total assets</b>	<b>\$ 6,900,196</b>	<b>\$ -</b>	<b>\$ 1,186,197</b>	<b>\$ 8,086,393</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 791,225	\$ -	\$ 316,112	1,107,337
Deferred revenue	418,195	-	-	418,195
<b>Total liabilities</b>	<b>1,209,420</b>	<b>-</b>	<b>316,112</b>	<b>1,525,532</b>
<b>Fund Balances</b>				
Fund balances:				
Nonspendable	273,051	-	-	273,051
Restricted	193,477	-	478,967	672,444
Assigned	447,892	-	391,118	839,010
Unassigned	4,776,356	-	-	4,776,356
<b>Total fund balances</b>	<b>5,690,776</b>	<b>-</b>	<b>870,085</b>	<b>6,560,861</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,900,196</b>	<b>\$ -</b>	<b>\$ 1,186,197</b>	<b>\$ 8,086,393</b>

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

**Balance Sheet - Governmental Funds**

**June 30, 2011**

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

<b>Total fund balances - governmental funds</b>	\$ 6,560,861
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	48,075,751
Other long-term assets are not financial resources and, therefore, are deferred in the funds.	418,195
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	56,743
Other liabilities not paid from current-period revenues are not reported in funds for:	
Accrued interest	(392,077)
Accrued compensated absences	(466,405)
Accrued termination benefits	(147,342)
Other post employment benefit obligation	(121,379)
Long-term liabilities, including bonds payable, net of capitalized bond issuance costs and deferred bond issuance charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(30,488,976)</u>
<b>Total net assets - governmental activities</b>	<b><u>\$ 23,495,371</u></b>

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds****Year Ended June 30, 2011**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$ 16,296,911	\$ -	\$ -	\$ 16,296,911
Other local taxes	2,464,223	-	-	2,464,223
Permits, privilege fees and regulatory licenses	78,464	-	-	78,464
Fines and forfeitures	54,907	-	-	54,907
Revenue from use of money and property	181,853	-	1,429	183,282
Charges for services	299,386	-	-	299,386
Intergovernmental	3,697,841	-	718,893	4,416,734
Miscellaneous	124,151	-	4,730	128,881
<b>Total revenues</b>	<b>23,197,736</b>	<b>-</b>	<b>725,052</b>	<b>23,922,788</b>
<b>Expenditures</b>				
General government administration	2,106,211	-	-	2,106,211
Public safety and judicial	5,765,369	-	-	5,765,369
Public works	1,516,878	-	-	1,516,878
Health and welfare	802,490	-	-	802,490
Parks, recreation, and cultural	1,016,944	-	-	1,016,944
Community development	490,912	-	-	490,912
Nondepartmental	112,981	-	-	112,981
Education	8,578,675	-	-	8,578,675
Capital outlay	-	-	814,871	814,871
Debt service:				
Principal retirement	-	896,963	-	896,963
Interest and fiscal charges	-	1,136,670	-	1,136,670
Bond issuance costs	-	43,263	-	43,263
<b>Total expenditures</b>	<b>20,390,460</b>	<b>2,076,896</b>	<b>814,871</b>	<b>23,282,227</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,807,276</b>	<b>(2,076,896)</b>	<b>(89,819)</b>	<b>640,561</b>
<b>Other financing sources (uses)</b>				
Transfers in	161,200	2,036,982	50,000	2,248,182
Transfers out	(2,167,782)	-	-	(2,167,782)
Issuance of debt:				
Refunding bonds issued	-	7,550,500	-	7,550,500
Premium on refunding bonds sold	-	19,970	-	19,970
Payment of refunded bonds	-	(7,530,556)	-	(7,530,556)
<b>Total other financing sources (uses)</b>	<b>(2,006,582)</b>	<b>2,076,896</b>	<b>50,000</b>	<b>120,314</b>
<b>Net change in fund balances</b>	<b>800,694</b>	<b>-</b>	<b>(39,819)</b>	<b>760,875</b>
<b>Fund balances, July 1, 2010</b>	<b>4,890,082</b>	<b>-</b>	<b>909,904</b>	<b>5,799,986</b>
<b>Fund balances, June 30, 2011</b>	<b>\$ 5,690,776</b>	<b>\$ -</b>	<b>\$ 870,085</b>	<b>\$ 6,560,861</b>

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds****Year Ended June 30, 2011****Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 760,875</b>
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Amount reported for governmental activities in the statement of net assets are different because:

Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the funds.	15,022
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	633,437
Depreciation expense	(1,406,102)
Loss on disposal of capital assets	(693)

Proceeds from bond issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	(7,550,500)
Premiums on debt issued, net	27,051
Deferred refunding charge, net	(29,237)
Repayment of debt principal	8,427,520

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

Interest expense	(51,633)
Compensated absences	47,559
Other post employment benefits liability	(70,306)
Accrued termination benefits	32,359

Internal service fund is used by management to charge the cost of fleet management to individual departments. The net gain of the fleet management fund is reported with governmental activities.	<u>(69,470)</u>
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<b>Change in net assets - governmental activities</b>	<b><u>\$ 765,882</u></b>
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The accompanying notes are an integral part of the basic financial statements.

## Statement of Net Assets - Proprietary Funds

June 30, 2011

Assets	Business-Type Activities Proprietary Funds			Total	Governmental Activities -
	Sewer Operation	Parks and Recreation	Solid Waste		Internal Service Funds
<b>Current assets</b>					
Cash and investments	\$ 355,350	\$ -	\$ 115,884	\$ 471,234	\$ 75,756
Accounts receivable	266,621	-	148,947	415,568	252
Note receivable	2,344	-	-	2,344	-
Inventory	-	-	8,659	8,659	25,294
<b>Total current assets</b>	<b>624,315</b>	<b>-</b>	<b>273,490</b>	<b>897,805</b>	<b>101,302</b>
<b>Noncurrent assets</b>					
Capital assets					
Land	214,666	28,550	-	243,216	-
Buildings	-	254,179	9,943	264,122	41,742
Sewer system	22,239,014	-	-	22,239,014	-
Equipment	476,424	152,756	314,713	943,893	31,887
Less - accumulated depreciation	(8,645,981)	(338,858)	(256,773)	(9,241,612)	(67,143)
Total capital assets (net of accumulated depreciation)	14,284,123	96,627	67,883	14,448,633	6,486
<b>Total noncurrent assets</b>	<b>14,284,123</b>	<b>96,627</b>	<b>67,883</b>	<b>14,448,633</b>	<b>6,486</b>
	<b>\$ 14,908,438</b>	<b>\$ 96,627</b>	<b>\$ 341,373</b>	<b>\$ 15,346,438</b>	<b>\$ 107,788</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Vouchers and accounts payable	\$ 68,018	\$ 41,214	\$ 53,037	\$ 162,269	\$ 16,322
Bank overdraft	-	63,279	-	63,279	-
Accrued payroll	10,581	11,309	2,206	24,096	9,310
Accrued interest	108,907	-	-	108,907	-
Compensated absences	1,928	957	317	3,202	21,452
Bonds payable, current portion	571,460	-	-	571,460	-
<b>Total current liabilities</b>	<b>760,894</b>	<b>116,759</b>	<b>55,560</b>	<b>933,213</b>	<b>47,084</b>
<b>Noncurrent liabilities</b>					
Compensated absences	17,347	8,616	2,854	28,817	-
Bonds payable, less current portion	8,803,464	-	-	8,803,464	-
Other post employment benefit obligation	4,081	3,001	960	8,042	3,961
<b>Total noncurrent liabilities</b>	<b>8,824,892</b>	<b>11,617</b>	<b>3,814</b>	<b>8,840,323</b>	<b>3,961</b>
<b>Total liabilities</b>	<b>9,585,786</b>	<b>128,376</b>	<b>59,374</b>	<b>9,773,536</b>	<b>51,045</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	4,909,199	96,627	67,883	5,073,709	6,486
Unrestricted (deficit)	413,453	(128,376)	214,116	499,193	50,257
<b>Total net assets (deficit)</b>	<b>5,322,652</b>	<b>(31,749)</b>	<b>281,999</b>	<b>5,572,902</b>	<b>56,743</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,908,438</b>	<b>\$ 96,627</b>	<b>\$ 341,373</b>	<b>\$ 15,346,438</b>	<b>\$ 107,788</b>

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

**Statement of Revenue, Expenses, and Changes in Fund Net Assets - Proprietary Funds**

Year Ended June 30, 2011

	Proprietary Fund Types			Total	Governmental
	Sewer Operation	Parks and Recreation	Solid Waste		Activities - Internal Service Funds
<b>Operating revenues</b>					
Charges for services	\$ 1,452,982	\$ 189,782	\$ 755,834	\$ 2,398,598	\$ 615,653
Festivals	-	131,304	-	131,304	-
Miscellaneous	320	906	-	1,226	-
<b>Total operating revenues</b>	<b>1,453,302</b>	<b>321,992</b>	<b>755,834</b>	<b>2,531,128</b>	<b>615,653</b>
<b>Operating expenses</b>					
Personnel services	241,853	160,439	62,228	464,520	221,554
Contractual services	536,143	236,506	137,559	910,208	51,073
Materials and supplies	23,096	20,048	28,492	71,636	365,196
Utilities	52,674	7,013	95	59,782	3,212
Depreciation and amortization	615,601	17,125	28,257	660,983	2,214
Other charges	79,896	8,894	63,045	151,835	10,944
Waste disposal	-	-	471,438	471,438	-
<b>Total operating expenses</b>	<b>1,549,263</b>	<b>450,025</b>	<b>791,114</b>	<b>2,790,402</b>	<b>654,193</b>
<b>Operating income (loss)</b>	<b>(95,961)</b>	<b>(128,033)</b>	<b>(35,280)</b>	<b>(259,274)</b>	<b>(38,540)</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	29,078	-	398	29,476	-
Interest and fiscal charges	(507,910)	-	-	(507,910)	-
Sewer availability fees	78,337	-	-	78,337	-
<b>Net nonoperating revenues (expenses)</b>	<b>(400,495)</b>	<b>-</b>	<b>398</b>	<b>(400,097)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>(496,456)</b>	<b>(128,033)</b>	<b>(34,882)</b>	<b>(659,371)</b>	<b>(38,540)</b>
<b>Transfers</b>					
Transfers in	-	80,800	-	80,800	-
Transfers out	(130,000)	-	-	(130,000)	(31,200)
<b>Net transfers</b>	<b>(130,000)</b>	<b>80,800</b>	<b>-</b>	<b>(49,200)</b>	<b>(31,200)</b>
<b>Change in net assets</b>	<b>(626,456)</b>	<b>(47,233)</b>	<b>(34,882)</b>	<b>(708,571)</b>	<b>(69,740)</b>
<b>Net assets, July 1, 2010</b>	<b>5,949,108</b>	<b>15,484</b>	<b>316,881</b>	<b>6,281,473</b>	<b>126,483</b>
<b>Net assets (deficit) June 30, 2011</b>	<b>\$ 5,322,652</b>	<b>\$ (31,749)</b>	<b>\$ 281,999</b>	<b>\$ 5,572,902</b>	<b>\$ 56,743</b>

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

**Statement of Cash Flows - Proprietary Funds****Year Ended June 30, 2011**

	Proprietary Fund Types				Internal Service Fund
	Operation Operation	Parks and Recreation	Solid Waste	Total	
<b>Cash flows from operating activities</b>					
Received from customers and users	\$ 1,453,909	\$ 322,142	\$ 748,804	\$ 2,524,855	\$ 615,564
Payments to suppliers for goods and services	(765,112)	(269,653)	(699,332)	(1,734,097)	(433,786)
Payments to employees	(237,625)	(156,273)	(60,697)	(454,595)	(222,244)
<b>Net cash provided by (used in) operating activities</b>	<b>451,172</b>	<b>(103,784)</b>	<b>(11,225)</b>	<b>336,163</b>	<b>(40,466)</b>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	(130,000)	-	-	(130,000)	(31,200)
Transfers from other funds	-	80,800	-	80,800	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(130,000)</b>	<b>80,800</b>	<b>-</b>	<b>(49,200)</b>	<b>(31,200)</b>
<b>Cash flows from capital and related financing activities</b>					
Principal paid on capital debt	(2,848,640)	-	-	(2,848,640)	-
Proceeds from capital debt	2,317,878	-	-	2,317,878	-
Sewer availability fees	78,337	-	-	78,337	-
Interest paid on capital debt	(346,835)	-	-	(346,835)	-
Acquisition and construction of capital assets	(453,029)	-	-	(453,029)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(1,252,289)</b>	<b>-</b>	<b>-</b>	<b>(1,252,289)</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Interest received	29,078	-	398	29,476	-
<b>Net increase (decrease) in cash and investments</b>	<b>(902,039)</b>	<b>(22,984)</b>	<b>(10,827)</b>	<b>(935,850)</b>	<b>(71,666)</b>
<b>Cash and investments, beginning of year</b>	<b>1,257,389</b>	<b>(40,295)</b>	<b>126,711</b>	<b>1,343,805</b>	<b>147,422</b>
<b>Cash and investments, end of year</b>	<b>\$ 355,350</b>	<b>\$ (63,279)</b>	<b>\$ 115,884</b>	<b>\$ 407,955</b>	<b>\$ 75,756</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (95,961)	\$ (128,033)	\$ (35,280)	\$ (259,274)	\$ (38,540)
Adjustments					
Depreciation and amortization	615,601	17,125	28,257	660,983	2,214
Changes in assets and liabilities					
Receivables, net	607	-	(7,030)	(6,423)	(88)
Inventories	-	-	(6,389)	(6,389)	(4,720)
Prepaid items	-	150	-	150	-
Vouchers and accounts payable	(73,303)	2,808	7,686	(62,809)	1,358
Accrued compensated absences	1,268	559	340	2,167	(2,905)
Other post-employment benefits liability	2,154	2,153	857	5,164	2,828
Accrued payroll	806	1,454	334	2,594	(613)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 451,172</b>	<b>\$ (103,784)</b>	<b>\$ (11,225)</b>	<b>\$ 336,163</b>	<b>\$ (40,466)</b>

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

**Statement of Fiduciary Assets and Liabilities**

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**June 30, 2011**

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		<u>Library Agency Fund</u>
	<b>Assets</b>	
Cash and cash equivalents		<u>\$ 38,200</u>
	<b>Liabilities</b>	
Amounts held in trust for library building		<u>\$ 38,200</u>

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

**Combining Statement of Net Assets - Component Units****June 30, 2011**

<b>Assets</b>	Poquoson Public Schools	Economic Development Authority	Total
Cash and cash equivalents	\$ 2,513,113	\$ -	\$ 2,513,113
Accounts receivable	-	487	487
Due from other governments	513,047	-	513,047
Inventory	18,085	-	18,085
Land	450,876	2,623,976	3,074,852
Other capital assets, net	4,779,410	319,806	5,099,216
<b>Total assets</b>	<b>\$ 8,274,531</b>	<b>\$ 2,944,269</b>	<b>\$ 11,218,800</b>
<b>Liabilities</b>			
Vouchers and accounts payable	\$ 2,250,875	\$ 54	\$ 2,250,929
Bank overdraft	-	367,463	\$ 367,463
Line of credit	-	1,416,438	1,416,438
Compensated absences, current	84,086	-	84,086
Due to primary government	27,022	-	27,022
Compensated absences, noncurrent	311,434	-	311,434
Other post-employment benefit obligation	188,491	-	188,491
<b>Total liabilities</b>	<b>2,861,908</b>	<b>1,783,955</b>	<b>4,645,863</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,230,286	1,527,344	6,757,630
Unrestricted	182,337	(367,030)	(184,693)
<b>Total net assets</b>	<b>5,412,623</b>	<b>1,160,314</b>	<b>6,572,937</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,274,531</b>	<b>\$ 2,944,269</b>	<b>\$ 11,218,800</b>

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

**Combining Statement of Activities - Component Units**

**Year Ended June 30, 2011**

	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Poquoson	Economic
					Public Schools	Development Authority
<b>Poquoson Public Schools</b>						
Education	\$ 21,420,203	\$ 380,427	\$ 11,536,751	\$ -	\$ (9,503,025)	\$ -
<b>Economic Development Authority</b>						
Economic Development	157,127	32,015	-	-	-	(125,112)
<b>Total component units</b>	<b>\$ 21,577,330</b>	<b>\$ 412,442</b>	<b>\$ 11,536,751</b>	<b>\$ -</b>	<b>(9,503,025)</b>	<b>(125,112)</b>

**General revenues**

City of Poquoson	8,811,240	-
Transfer in (out)	(15,058)	-
<b>Total general revenues</b>	<b>8,796,182</b>	<b>-</b>
<b>Change in net assets</b>	<b>(706,843)</b>	<b>(125,112)</b>
<b>Net assets, beginning of year</b>	<b>6,119,466</b>	<b>1,285,426</b>
<b>Net assets, end of year</b>	<b>\$ 5,412,623</b>	<b>\$ 1,160,314</b>

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

## *City of Poquoson, Virginia*

### *Notes to Basic Financial Statements*

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**June 30, 2011**

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#### **1. Summary of Significant Accounting Policies**

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

##### **Financial Reporting Entity**

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

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

The School Board is responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. The School Board is fiscally dependent upon the City because the City's governing body, City Council, levies the necessary taxes, approves the issuance of bonds, and provides the financial resources to be used for acquisition or construction of School Board facilities and to provide funding for the operations. Therefore, the School Board is included in the component unit column of the City's financial statements because of the significance of its financial relationship with the City. Furthermore, the School Board meets the criteria for discrete presentation and is, therefore, presented in a separate component unit's column in the basic financial statements to emphasize that it is legally separate from the City. The School Board does not issue separate financial statements.

The Economic Development Authority is a legally separate corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The EDA was established to promote industry, to develop trade within the City, and to attract institutions of higher education to locate or remain in the City. The EDA is also included in the component unit's column of the City's financial statements because the City is able to impose its will on the EDA by appointment of the governing body. In addition, the City Council funds a portion of the EDA's operating budget and guarantees its line of credit. Therefore, the EDA is financially dependent on the City. The EDA does not issue separate financial statements.

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

## 1. Summary of Significant Accounting Policies (Continued)

### Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

## 1. Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Under GASB 54 guidance, the Grant Fund is consolidated in the General Fund.

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following proprietary Fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As permitted under Governmental Accounting Standards, the City has elected not to apply private-sector standards issued after November 30, 1989.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

## 1. **Summary of Significant Accounting Policies** (*Continued*)

### **Component Unit – Economic Development Authority**

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

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

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

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

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

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

The Special Revenue Fund is used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Accordingly, the Special Revenue Fund is used to account for operations of the various school cafeterias. Cafeteria revenue is comprised of federal grants and charges to students for meals and, accordingly, is restricted as to the purpose for which they may be used.

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

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

### **Budgeting and Budgetary Accounting**

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

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

## **1. Summary of Significant Accounting Policies (Continued)**

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

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

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

Supplemental budget appropriations were approved during the fiscal year ended June 30, 2011, for an increase in appropriations in the amount of \$766,423 and \$1,054,394 for the Primary Government General Fund and School Board General Fund, respectively.

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

### **Cash and Cash Equivalents**

For purposes of the statements of cash flows for all proprietary fund types the City considers all highly liquid investments, which, when purchased, had a maturity of three months or less, to be cash equivalents.

### **Investments**

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

### **Capital Assets**

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

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

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

**Capital Assets (Continued)**

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

The estimated useful lives of capital assets are as follows:

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

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

**Allowance for Uncollectible Accounts**

The City (Primary Government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2011, 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 Special Revenue Fund of the School Board consist principally of items held for resale and are valued at cost (first-in, first-out method).

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

Inventory is recognized as expenditures when consumed.

## 1. Summary of Significant Accounting Policies (Continued)

### Compensated Absences

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

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

### Sewer Availability Fees

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

### Deferred Revenue

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

### Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

**Nonspendable** – includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

**Restricted** – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

**Committed** – includes amounts that can be used only for the specific purposes determined by a formal action of City Council.

**Assigned** – includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Manager or Superintendent of Schools or State Statute.

**Unassigned** – is the residual classification for the City's general fund and includes all spendable amounts not contained in other classifications.

## **1. Summary of Significant Accounting Policies (Continued)**

The City's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within unrestricted fund balance, it is the City's policy to apply expenditures against committed amounts first, followed by assigned, and then unassigned amounts. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable and restricted amounts exceed the positive fund balance for that fund.

The General Fund unassigned target is at least 12%-15% of the Fund's operating expenditures.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute.

### **Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

### **Credit Risk**

The assessed value of real estate for the City's ten largest taxpayers comprises 2.61% of the City's real estate tax base. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the City's customer base.

## **2. Deposits and Investments**

### **Deposits**

At year-end, the carrying value of the City's deposits with banks and savings institutions was \$4,468,897 including agency fund cash of \$38,200. All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia (Act) or covered by federal depository insurance.

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

However, all qualified bank's public deposits are considered 100% "insured" because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2011, no balances of the Primary Government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

The carrying amount of deposits for the School Board was \$2,446,166 and the bank balance was \$3,432,562. The bank balance was covered by Federal Depository Insurance Corporation or collateralized in accordance with the Act. At June 30, 2011, no balances of the component unit were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

### **Investments**

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a-7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with portfolio securities valued by the amortized cost method. The fair value of the LGIP is the same as the value of the pool shares. Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value. As of June 30, 2011, the City had \$497,311 invested in the State Non-Arbitrage Program (SNAP). SNAP funds are rated AAAM by Standard & Poor's. LGIP funds are rated AAAM by Standard & Poor's.

## 2. Deposits and Investments (Continued)

### Investment Policy

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

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

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

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

#### *Short-term Operating Funds*

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

#### *Core Portfolio*

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

#### *Bond Proceeds*

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

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

### **Credit Risk**

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

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

### **Concentration of Credit Risk**

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

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

### **Interest Rate Risk**

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

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

### **Custodial Risk**

For an investment, custodial risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the City or held as collateral on deposits or investments shall be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2011, with the exception of the Virginia LGIP, all of the City’s investments are held in a bank’s trust department in the City’s name.

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

The carrying values and weighted average maturity of the City's investments were as follows:

	Investment Maturities (in years)		
	Fair Value	Less Than 1 year	1 - 3 years
Money market funds, Virginia LGIP	\$ 399,678	\$ 399,678	\$ -
Money market funds, Scott & Stringfellow	474,680	474,680	-
Money market funds, RBC Dain Rauscher	295,961	295,961	-
Virginia SNAP Accounts	497,311	-	497,311
<b>Total investments</b>	<b>\$ 1,667,630</b>	<b>\$ 1,170,319</b>	<b>\$ 497,311</b>
Reconciliation to total cash and investments			
Add:			
Cash on hand and in banks	7,415,381		
<b>Total cash and investments</b>	<b>9,083,011</b>		
Less:			
Cash held in fiduciary funds	38,200		
Total cash and investments, Exhibit A, Primary Government and Component Units	<u>\$ 9,044,811</u>		

**3. Property Taxes Receivable**

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

	Governmental Activities	Business- Type Activities	Total
Real estate taxes	\$ 450,903	\$ -	\$ 450,903
Personal property taxes	383,292	-	383,292
Accounts receivable	121,353	415,568	536,921
	955,548	415,568	1,371,116
Less - allowance for uncollectible accounts	(305,000)	-	(305,000)
<b>Receivables, net</b>	<b>\$ 650,548</b>	<b>\$ 415,568</b>	<b>\$ 1,066,116</b>

**4. Notes Receivable**

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

A \$192,279 note receivable in the General Fund represents a deed of trust note to Poquoson Historical and Cultural Museum Foundation. The \$192,279 note bears interest at 7.25%. Beginning June 1, 2009, interest only is due and payable each June 1 and December 1 thereafter. In all events the accrued interest and unpaid principal is due in full on December 1, 2018. As of June 30, 2011 the balance was \$173,051.

**5. Due From Other Governments**

Due from other governments consists of the following:

**Primary Government**

	General Fund
<u>Commonwealth of Virginia</u>	
Comprehensive Services Act	\$ 43,065
Sales tax	46,882
Division of Motor Vehicles reimbursement	7,782
Compensation Board	18,236
Public Assistance	5,520
Communications Sales and Use tax	35,901
VOPEX Grant	3,433
Fire Fund Program	3,809
Mobil Home Titling Tax	1,876
PPTRA	884,118
Total due from the Commonwealth of Virginia	<u>1,050,622</u>
<u>Federal Government</u>	
Plum Tree Island	2,343
DUI Grants - Selective Enforcement	5,262
Byrne Justice Grant	4,757
Citizen Corp 2008	141
FEMA Public Assistance	11,130
Total due from the federal government	<u>23,633</u>
Total due from other governments	<u>\$ 1,074,255</u>

**Component Unit - School Board**

<u>Commonwealth of Virginia</u>	
State sales tax	\$ 157,449
State technology reimbursement	120,384
Total due from the Commonwealth of Virginia	<u>277,833</u>
<u>Federal Government</u>	
Department of Education Program	
Title I	1,759
Title II	13,096
Title IV	780
Title VI-B	73
Various grants	219,506
Total due from the federal government	<u>235,214</u>
Total due from the other governments	<u>\$ 513,047</u>

## 6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2011, are as follows:

Primary Government Receivable	Component Unit Payable	Amount
Due from School Board	Due to Primary Government	<u>\$ 27,022</u>

## 7. Capital Assets

A summary of changes in capital assets for the Primary Government follows:

	<b>Balance July 1, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>
Capital assets not being depreciated				
Land	\$ 3,014,479	\$ -	\$ -	\$ 3,014,479
Construction-in-process	379,374	339,264	217,577	501,061
Total capital assets not being depreciated	<u>3,393,853</u>	<u>339,264</u>	<u>217,577</u>	<u>3,515,540</u>
Other capital assets				
Buildings	9,537,843	-	-	9,537,843
Infrastructure	38,865,217	199,225	-	39,064,442
Land improvements	2,606,232	-	-	2,606,232
Machinery and equipment	6,387,550	95,149	140,405	6,342,294
Total other capital assets	<u>57,396,842</u>	<u>294,374</u>	<u>140,405</u>	<u>57,550,811</u>
Less - accumulated depreciation				
Buildings	2,659,682	312,029	-	2,971,711
Infrastructure	31,636,066	155,395	-	31,791,461
Land improvements	750,658	182,700	-	933,358
Machinery and equipment	3,338,739	473,960	139,782	3,672,917
Total accumulated depreciation	<u>38,385,145</u>	<u>1,124,084</u>	<u>139,782</u>	<u>39,369,447</u>
Other capital assets, net	<u>19,011,697</u>	<u>(829,710)</u>	<u>623</u>	<u>18,181,364</u>
	<u>22,405,550</u>	<u>(490,446)</u>	<u>218,200</u>	<u>21,696,904</u>
Allocation of School Board Assets				
Buildings	28,796,580	217,577	-	29,014,157
Less - accumulated depreciation				
Buildings	2,344,592	284,232	-	2,628,824
Total allocated to City	<u>26,451,988</u>	<u>(66,655)</u>	<u>-</u>	<u>26,385,333</u>
Total	<u>\$ 48,857,538</u>	<u>\$ (557,101)</u>	<u>\$ 218,200</u>	<u>\$ 48,082,237</u>

**7. Capital Assets (Continued)**

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 17,091
Public Safety	416,129
Public Works	414,885
Health and Welfare	15,979
Parks, Recreation, and Cultural	209,444
Judicial Administration	47,720
Community Development	2,836
Education	284,232
	<u>\$ 1,408,316</u>

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

	<b>Balance July 1, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>
Capital assets not being depreciated				
Land	\$ 243,216	\$ -	\$ -	\$ 243,216
Construction-in-process	101,066	-	101,066	-
Total capital assets not being depreciated	<u>344,282</u>	<u>-</u>	<u>101,066</u>	<u>243,216</u>
Other capital assets				
Buildings	264,122	-	-	264,122
Machinery and equipment	943,893	-	-	943,893
Sewer system	21,638,904	530,788	-	22,169,692
Sewer easement	7,000	-	-	7,000
Intangible	92,030	-	29,708	62,322
Total other capital assets	<u>22,945,949</u>	<u>530,788</u>	<u>29,708</u>	<u>23,447,029</u>
Less - accumulated depreciation				
Buildings	259,607	2,943	-	262,550
Machinery and equipment	696,625	57,549	-	754,174
Sewer system	7,656,671	563,624	-	8,220,295
Intangible	20,754	3,806	19,967	4,593
Total accumulated depreciation	<u>8,633,657</u>	<u>627,922</u>	<u>19,967</u>	<u>9,241,612</u>
Other capital assets, net	<u>14,312,291</u>	<u>(97,134)</u>	<u>9,741</u>	<u>14,205,417</u>
Total	<u>\$ 14,656,573</u>	<u>\$ (97,134)</u>	<u>\$ 110,807</u>	<u>\$ 14,448,633</u>

**7. Capital Assets (Continued)**

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

	<b>Balance July 1, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>
Capital assets not being depreciated				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Other capital assets				
Buildings	39,207,564	217,577	-	39,425,141
Machinery and equipment	2,262,954	113,786	418,000	1,958,740
Total other capital assets	41,470,518	331,363	418,000	41,383,881
Less - accumulated depreciation				
Buildings	7,996,936	898,945	-	8,895,881
Machinery and equipment	1,616,805	124,452	418,000	1,323,257
Total accumulated depreciation	9,613,741	1,023,397	418,000	10,219,138
Other capital assets, net	31,856,777	(692,034)	-	31,164,743
Capital assets, net	32,307,653	(692,034)	-	31,615,619
Allocation to City				
Buildings	(28,796,580)	(217,577)	-	(29,014,157)
Less - accumulated depreciation	2,344,592	284,232	-	2,628,824
Total allocated to City	(26,451,988)	66,655	-	(26,385,333)
Total	\$ 5,855,665	\$ (625,379)	\$ -	\$ 5,230,286

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

	<b>Balance July 1, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>
Capital assets not being depreciated				
Land	\$ 2,267,687	\$ 356,289	\$ -	2,623,976
Other capital assets				
Buildings	185,542	-	-	185,542
Infrastructure	315,273	-	-	315,273
Total other capital assets	500,815	-	-	500,815
Less - accumulated depreciation				
Buildings	57,083	9,278	-	66,361
Infrastructure	100,317	14,331	-	114,648
Total accumulated depreciation	157,400	23,609	-	181,009
Other capital assets, net	343,415	(23,609)	-	319,806
Total	\$ 2,611,102	\$ 332,680	\$ -	\$ 2,943,782

**8. Long-term Obligations**

**Governmental Activities**

Following is a summary of the changes in long-term liabilities for governmental activities and its Component Unit - School Board, respectively:

	<b>Balance July 1, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>	Amounts Due Within One Year
<b>General obligations</b>					
<b>Debts payable</b>					
General obligation bonds	\$ 28,689,878	\$ 7,550,500	\$ 8,075,556	\$ 28,164,822	\$ 500,000
General obligation leases	316,204	-	74,964	241,240	77,657
State Literary Fund loans	2,361,820	-	277,000	2,084,820	277,000
Less refunding costs	(668,128)	(43,263)	(72,500)	(638,891)	-
Unamortized Premium	664,036	19,970	47,021	636,985	-
	<u>31,363,810</u>	<u>7,527,207</u>	<u>8,402,041</u>	<u>30,488,976</u>	<u>854,657</u>
<b>Accrued benefits</b>					
Accrued compensated absences	538,320	735,555	786,018	487,857	48,786
Total	<u>\$ 31,902,130</u>	<u>\$ 8,242,791</u>	<u>\$ 9,188,059</u>	<u>\$ 30,976,833</u>	<u>\$ 903,443</u>
<b>Component Unit - School Board</b>					
<b>Accrued benefits</b>					
Accrued compensated absences	<u>\$ 378,329</u>	<u>\$ 559,697</u>	<u>\$ 542,506</u>	<u>\$ 395,520</u>	<u>\$ 84,086</u>

8. **Long-term Obligations** (Continued)

**Governmental Activities** (Continued)

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

<b>High School Serial Bonds of 1998</b> - \$650,000 bonds issued and due in annual installments varying from \$30,000 to \$35,000 through July 2018, with interest payable semi-annually at rates varying from 3.60% to 5.10%.	\$ 240,000
<b>General Obligation Refunding Note Series 2002</b> - \$3,405,000 bonds issued and due in annual installments varying from \$35,000 to \$385,000 through January 2016, with interest paid semi-annually at 2.5% to 3.72%.	1,790,000
<b>General Obligation Refunding Bonds, Series 2010</b> - \$4,670,000 bonds issued and due in semi-annual installments varying from \$100,000 to \$385,000 through June 2027, with interest paid semi-annually at 4.28%.	4,670,000
<b>General Obligation Refunding Bonds, Series 2010</b> - \$6,600,000 bonds issued and due in semi-annual installments varying from \$140,000 to \$1,015,000 through June 2027, with interest paid semi-annually at 4.35%.	6,600,000
<b>General Obligation Refunding Bonds, Series 2010</b> - \$3,900,000 bonds issued and due in semi-annual installments varying from \$45,000 to \$580,000 through June 2027, with interest paid semi-annually at 4.49%.	3,900,000
<b>General Obligation Bonds, Series 2010</b> - \$215,000 bonds issued and due in semi-annual installments varying from \$20,000 to \$60,000 through June 2016, with interest paid semi-annually at 2.48%.	215,000
<b>General Obligation Refunding Bonds, Series 2009A</b> - \$2,806,067 bonds issued and due in annual installments varying from \$10,000 to \$284,330 through February 2029, with interest payable semi-annually at 4.5%.	2,806,067
<b>General Obligation Refunding Taxable Bonds, Series 2009C</b> - \$393,255 bonds issued and due in annual installments varying from \$11,874 to \$80,000 through February 2021, with interest payable semi-annually at 5.75%.	393,255
<b>General Obligation Refunding Bonds, Series 2011</b> - \$7,550,500 bonds issued and due in annual installments varying from \$80,000 to \$1,013,000 through August 2021, with interest payable semi-annually at 2.96%.	<u>7,550,500</u>
Total general obligation bonds	<u>\$ 28,164,822</u>

**8. Long-term Obligations (Continued)**

**Governmental Activities (Continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 500,000	\$ 1,124,401
2013	912,000	1,091,754
2014	1,280,002	1,093,944
2015	1,466,000	1,043,141
2016	1,508,000	969,518
2017 – 2021	8,964,021	4,021,708
2022 – 2026	10,738,013	2,167,643
2027 – 2029	2,796,786	173,589
	<u>\$ 28,164,822</u>	<u>\$ 11,685,698</u>

In October 2004, the City of Poquoson entered into a capital lease to purchase two fire trucks, which were capitalized at a cost of \$708,522. At June 30, 2011, accumulated depreciation under this lease totaled \$155,872. The balance of this lease as of June 30, 2011, was \$241,240. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2012	\$ 86,299
2013	86,299
2014	<u>86,299</u>
Total minimum lease payments	258,897
Less - imputed interest	<u>(17,657)</u>
	241,240
Less - current portion	<u>77,657</u>
Long-term portion	<u>\$ 163,583</u>

**8. Long-term Obligations (Continued)**

**Governmental Activities (Continued)**

**Current Refunding**

In February 2011, the City of Poquoson issued \$7,550,500 of general obligation refunding bonds to currently refund \$7,530,556 of general obligation refunding bonds. The refunded bonds were redeemed and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$19,944. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is the same life as the old debt. This current refunding resulted in an economic gain of \$292,004.

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

<i>Primary School Literary Fund Loan</i> - \$408,820 loan issued August 15, 1998, due in annual installments of \$27,000 through August 2012, and a final payment of \$30,820 due in August 2013, with interest at 3%.	\$ 84,820
<i>High School Literary Fund Loan</i> - \$5,000,000 loan issued November 17, 1998, due in annual installments of \$250,000 through December 2019, with interest at 3%.	<u>2,000,000</u>
<b>Total state literary fund loans outstanding</b>	<u>\$ 2,084,820</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 277,000	\$ 62,545
2013	277,000	54,235
2014	280,820	45,925
2015	250,000	37,500
2016	250,000	30,000
2017 – 2020	<u>750,000</u>	<u>45,000</u>
	<u>\$ 2,084,820</u>	<u>\$ 275,205</u>

**Debt Limit**

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. As of June 30, 2011, the City's aggregate general obligation indebtedness, excluding proprietary fund debt, was \$132,907,859 less than the allowable limit.

8. **Long-term Obligations (Continued)**

**Overlapping Debt**

There are no overlapping or underlying tax jurisdictions.

**Business-type Activities**

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

	<b>Balance July 1, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>	Amounts Due Within One Year
<b>Enterprise Funds</b>					
General obligation bonds	\$ 9,890,072	\$ 2,384,501	\$ 2,848,640	\$ 9,425,933	\$ 571,460
Less refunding costs	(213,034)	(66,623)	(177,013)	(102,644)	-
Bond premium	56,403	-	4,768	51,635	-
	9,733,441	2,317,878	2,676,395	9,374,924	571,460
Accrued compensated absences	29,852	33,131	30,964	32,019	3,202
	<u>\$ 9,763,293</u>	<u>\$ 2,351,009</u>	<u>\$ 2,707,359</u>	<u>\$ 9,406,943</u>	<u>\$ 603,479</u>

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

<b>General Obligation Sewer Bonds, Series 2000B (May 2000)</b> - \$2,664,671 bonds issued with interest only due on the outstanding balance at March 1, 2001, at 3.5%. Commencing on September 1, 2001, principal and interest due in semi-annual installments of \$94,847 through September 2020, at a rate of 3.5%.	\$ 1,521,908
<b>General Obligation Sewer Bonds, Series 2000A (May 2000)</b> - \$7,335,329 bonds authorized and issued, with interest only due on the outstanding balance at March 1, 2001. Commencing on September 1, 2001, principal and interest due in semi-annual installments of \$261,093 through September 2020, at a rate of 3.5%.	4,189,524
<b>General Obligation Refunding Sewer Bonds, Series 2010</b> - \$740,000 bonds issued and due in annual principal installments varying from \$10,000 to \$80,000 through April 2022 with interest payable semi-annually at rates varying from 2.2% to 5.2%	730,000
<b>General Obligation Sewer Bonds, Series 2010</b> - \$600,000 bonds issued and due in February 2015, with interest payable semi-annually at a rate of 2.75%.	600,000
<b>General Obligation Refunding Sewer Bonds, Series 2011</b> - \$2,384,501 bonds issued and due in annual installments varying from \$234,000 to \$312,000 through August 2021, with interest payable semi-annually at 2.96%.	2,384,501
<b>Total general obligation bonds outstanding</b>	<u>\$ 9,425,933</u>

**8. Long-term Obligations (Continued)**

**Business-Type Activities (Continued)**

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

<u>Year</u>	<u>Principal</u>		<u>Interest</u>	
2012	\$	571,460	\$	311,926
2013		857,694		285,591
2014		873,572		257,633
2015		1,527,116		228,451
2016		955,351		180,775
2017 – 2022		4,560,740		410,141
2022 - 2024		80,000		1,624
	\$	9,425,933	\$	1,676,141

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.

In February 2011, the City of Poquoson issued \$2,384,501 of general obligation refunding bonds to currently refund \$2,289,703 of general obligation bonds. The refunded bonds are considered to legally defeased and the liability has been removed from the City’s financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$94,708. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the old debt. This current refunding resulted in an economic gain of \$92,217.

**9. Current Liabilities - Component Unit - Economic Development Authority (EDA)**

**Line of Credit**

The EDA uses a \$3,000,000 line of credit with a bank to finance a variety of land purchases. The line of credit expires on March 31, 2012, and bears interest at 30-day LIBOR plus 1.75% with a floor of 2.5%, and is unsecured. Short-term activity was as follows:

	<u>Balance</u>		<u>Balance</u>	
	<u>July 1, 2010</u>	<u>Draws</u>	<u>Repayments</u>	<u>June 30, 2011</u>
Line of credit	\$ 1,416,438	\$ -	\$ -	\$ 1,416,438

**10. Conduit Debt Obligation**

On July 1, 2001 and September 12, 2005, the EDA issued \$10,000,000 and \$5,000,000 YMCA Revenue Bonds, respectively, to finance the acquisition and construction of the Peninsula Metropolitan YMCA (YMCA). On November 1, 2003, the EDA issued \$5,000,000 Nansemond-Suffolk Academy (NSA) Revenue bonds to finance an addition. On July 13, 2004, the EDA issued \$7,500,000 Hampton-Newport News Community Services Board (HNNCSB) revenue bonds to acquire the former Hampton Medical Center and to finance improvements. The costs of financing the projects, all expenses of issuing the bonds and the payments of bond principals and interest are the responsibility of the YMCA, the NSA, and the HNNCSB, respectively. The bonds provide that neither the EDA nor the City shall be obligated to pay the bonds or interest thereon or other costs incident thereto. At June 30, 2011, \$21,162,714 remained outstanding.

**11. Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Nonspendable</b>				
Notes Receivable	\$ 273,051	\$ -	\$ -	\$ 273,051
<b>Total nonspendable</b>	<b>273,051</b>	<b>-</b>	<b>-</b>	<b>273,051</b>
<b>Restricted</b>				
Asset Forfeiture	40,230	-	-	40,230
Fire	79,608	-	-	79,608
Heritage Park Contributions	16,060	-	-	16,060
Library Contributions	21,141	-	-	21,141
CDBG Program Revenue	36,438	-	-	36,438
Streets and Drainage	-	-	469,642	469,642
Contributions – Kids Island	-	-	3,902	3,902
Bond Proceeds	-	-	5,423	5,423
<b>Total restricted</b>	<b>193,477</b>	<b>-</b>	<b>478,967</b>	<b>672,444</b>
<b>Assigned</b>				
Encumbrances by function:				
General Government & Administration	35,925	-	-	35,925
Public Safety & Judicial	53,580	-	-	53,580
Public Works	43,505	-	-	43,505
Health & Welfare	17,956	-	-	17,956
Parks, Recreational, & Cultural	7,069	-	-	7,069
Community Development	4,830	-	-	4,830
Subsequent year's budget	285,027	-	-	285,027
Capital projects	-	-	391,118	391,118
<b>Total assigned</b>	<b>447,892</b>	<b>-</b>	<b>391,118</b>	<b>839,010</b>
<b>Unassigned</b>	<b>4,776,356</b>	<b>-</b>	<b>-</b>	<b>4,776,356</b>
<b>Total fund balances</b>	<b>\$ 5,690,776</b>	<b>\$ -</b>	<b>\$ 870,085</b>	<b>\$ 6,560,861</b>

**12. Deferred Revenue**

Deferred revenue for the Primary Government at June 30, 2011, consists of real and personal property taxes not collected within 45 days after June 30, 2011.

**13. Contingency**

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

**14. Interfund Transfers**

Interfund transfers for the year ended June 30, 2011 are as follows:

	Transfers In	Transfers Out
General Fund	\$ 161,200	\$ 2,167,782
Debt Service Fund	2,036,982	-
Capital Projects Fund	50,000	-
Parks and Recreation Fund	80,800	-
Fleet Management Fund	-	31,200
Sewer Operations Fund	-	130,000
	<u>\$ 2,328,982</u>	<u>\$ 2,328,982</u>

Purpose:

Transfers from General Fund:

\$ 2,036,982 Debt Service Fund: current year debt payments

\$ 80,800 Parks and Recreation Fund: fund deficit in field and pool activities

\$ 50,000 Capital Projects Fund: fund a capital project

Transfers from Sewer Operations Fund:

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

Transfers from Fleet Management Fund:

\$ 31,200 General Fund: purchase vehicle for public works

**15. Surety Bonds**

The City maintained the following surety bond coverage's on certain employees of the Primary Government and component unit during the fiscal year ended June 30, 2011:

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - All City employees - employee dishonesty blanket bond Forest T. Jones & Company, Inc.	\$ 1,000,000
Patricia McDowell, Clerk of the School Board	10,000
Linda Revia, Deputy Clerk of the School Board	10,000
All School Board employees, blanket bond	1,000,000

The Commonwealth of Virginia maintained the following surety bond and blanket bond coverage on certain employees pursuant to Section 2.2-1840 of the Code of Virginia. The coverage with respect to the Treasurer does not extend to the loss of any City funds.

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - Surety, Faithful Performance of Duty Schedule, Position Bond: Treasurer and employees	\$ 1,000,000
Commonwealth of Virginia Faithful Performance of Duty Bond Treasurer	500,000
Director of Finance	500,000
Commissioner of the Revenue	3,000

**16. Related Party Transactions**

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Council Workforce Development (PCWD), the Colonial Behavioral Health (CBH) and the Hampton Roads Partnership (HRPC). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2011, the City provided support or paid for services to HRPDC of \$27,542, VPPSA of \$276,931, PCWD of \$5,847, CBH of \$137,343 and HRPC of \$4,900.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During FY 2011, the City incurred expenses for the regional jail and juvenile detention center of \$135,612 and \$66,129, respectively. Notes issued by the regional jail are limited obligations payable from revenues received from the member jurisdictions. The City, along with three other member jurisdictions, have agreed to provide funding makeup support to cover any deficiencies in the regional jail's debt service fund based on each member's utilization rate.

**16. Related-Party Transactions (Continued)**

The City of Poquoson shares certain services and their associated costs with York County, including the Circuit Court, the Commonwealth's Attorney, Sheriff of York County and E911 operations. The City also shares social services with York County. During the year ended June 30, 2011, the City paid \$864,410 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, 2011, the School Board provided support of \$415,015 to the New Horizons Education Center.

**17. Retirement Plan**

**A. Plan Description**

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

VRS administers two defined benefit plans for the local government employees—Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years if service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

**17. Retirement Plan (Continued)**

Retirees are eligible for an annual cost-of-living (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report-pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its 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, 2011, was 8.61% and 10.39%, 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 2011, 2010 and 2009 were \$1,032,312, \$1,554,807, and \$1,722,715, respectively. The School Board contributed 100% of required contributions to the pool for fiscal year ended 2011 and each of the two preceding years.

**17. Retirement Plan (Continued)**

**C. Annual Pension Costs**

For the Fiscal Year ended 2011, the City's annual pension cost of \$698,972 was equal to the City's required and actual contributions. For the Fiscal Year ended 2011, the School Board's annual pension cost of \$75,750 was equal to the School Board's required and actual contributions.

**Three-Year Trend Information for the City of Poquoson**

**City of Poquoson**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 698,972	100%	\$ -
June 30, 2010	\$ 740,737	100%	\$ -
June 30, 2009	\$ 731,860	100%	\$ -

**Component Unit - School Board**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 75,750	100%	\$ -
June 30, 2010	\$ 98,370	100%	\$ -
June 30, 2009	\$ 60,826	100%	\$ -

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increased ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhances benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the City'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 mark value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**D. Funded Status**

As of June 30, 2010 for the City, the most recent actuarial valuation date, the plan was 84.11% funded. The actuarial accrued liability for benefits was \$23,306,814, and the actuarial value of assets was \$19,603,136, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,703,678. The covered payroll (annual payroll of active employees covered by the plan) was \$5,022,695, and the ratio of the UAAL to the covered payroll was 73.74%.

As of June 30, 2010 for the School Board, the most recent actuarial valuation date, the plan was 71.21% funded. The actuarial accrued liability for benefits was \$2,299,015, and the actuarial value of assets was \$1,637,087, resulting in an unfunded actuarial accrued liability (UAAL) of \$661,928. The covered payroll (annual payroll of active employees covered by the plan) was \$631,722, and the ratio of the UAAL to the covered payroll was 104.78%.

**18. Other Post Employment Benefit Obligation (OPEB)**

**Plan Description**

The City and School Board administer a single-employer defined benefit post-employment health care plan that covers all current retirees and covered dependents and will provide coverage for all future retirees and their covered dependents. Employees who are eligible for the health plan under normal retirement must have a combination of age (minimum 50 years) and years of service (minimum of 5 years) equal to 70. During the year, 116 employees were participating in the City’s plan at a cost of \$66,611 and 167 employees were participating in the School Board’s plan at a cost of \$105,342. Separate stand-alone statements are not issued for this plan.

**Funding Policy**

The City Council and the School Board have the authority to establish and amend the funding policy of their respective plans. The employer’s contribution ranges from 0% - 100% of the premiums based on the retiree’s years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed based on a pay-as-you-go basis. During the fiscal year ending 2011, the City received a surplus of \$(11,189) and the School Board received a surplus of \$(5,612).

**Annual OPEB Cost and Net OPEB Obligation**

The City’s and the School’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s and the School’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

	City of Poquoson	Component Unit School Board
Annual required contribution	\$ 66,657	\$ 105,407
Interest on net OPEB obligation	2,223	3,101
Adjustment to ARC	(2,269)	(3,166)
Annual OPEB cost	66,611	105,342
(Contributions)/Credits made	11,189	5,612
Increase in net OPEB obligation	77,800	110,954
Net OPEB obligation, beginning of year	55,582	77,537
NET OPEB obligation, end of year	\$ 133,382	\$ 188,491

**18. Other Post Employment Benefit Obligation (Continued)**

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

The City's and the School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2011 were as follows:

**City of Poquoson**

Fiscal Year Ended	Annual OPEB Cost	Employer Credit	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 59,873	\$ (38,192)	64%	\$ 55,582
June 30, 2011	\$ 66,611	\$ 11,189	-17%	\$ 133,382

**Component Unit - School Board**

Fiscal Year Ended	Annual OPEB Cost	Employer Credit	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 77,655	\$ (34,999)	45%	\$ 77,537
June 30, 2011	\$ 105,342	\$ 5,612	-5%	\$ 188,491

**Funded Status and Funding Progress**

Based on the most recent actuarial valuation for the fiscal year ended June 30, 2011, the funded status of the plan was as follows:

	City of Poquoson	Component Unit School Board
Actuarial accrued liability (AAL)	\$ 745,924	\$ 781,287
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 745,924	\$ 781,287
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 5,561,270	\$ 11,603,841
UAAL as a percentage of covered payroll	13.41%	6.73%

**18. Other Post Employment Benefit Obligation (Continued)**

**Actuarial Methods and Assumptions**

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

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

The OPEB liability was determined on the Projected Unit Credit cost actuarial method. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the City's and the School Board's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 2.5% per year, and an annual healthcare cost trend rate of 9.5% initially for the year ended June 30, 2011, reduced annually by increments, to an ultimate rate of 5% for the fiscal year ending June 30, 2019. In calculating the fiscal year annual required contribution the initial unfunded actuarial accrued liability, actuarial gains and actuarial losses were amortized over an open 30- year period as a level percentage of projected payroll.

**Schedule of Funding Progress**

**City of Poquoson**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 636,500	\$ 636,500	0%	\$ 5,675,321	11.20%
7/1/2010	\$ -	\$ 745,924	\$ 745,924	0%	\$ 5,561,270	13.41%

**Component Unit - School Board**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 681,279	\$ 681,279	0%	\$ 12,452,785	5.47%
7/1/2010	\$ -	\$ 781,287	\$ 781,287	0%	\$ 11,603,841	6.73%

**19. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of loss from certain acts of employees and certain elected officials is insured through commercial insurance as discussed in Note 14. Substantially all other risks are insured through participation in various public entity risk pools operating as common risk management and insurance programs for many local political subdivisions in the Commonwealth of Virginia. The City pays annual premiums to the pools for its general insurance coverage. The agreements of political subdivisions participating in the pools provide that the pools will be self-sustaining through member premiums but will reinsure through commercial companies for excess liability claims.

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

**20. Commitments**

The City entered into contracts for the construction of a new elementary school. The contract for the elementary school totaled \$17,872,219 with \$272,967 outstanding at June 30, 2011.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to assign that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund of the City. At June 30, 2011, the General Fund had outstanding encumbrances in the amount of \$162,865.

While encumbrances do not constitute expenditures in accordance with accounting principles generally accepted in the United State of America, encumbrances outstanding at year-end do not lapse.

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

**21. Subsequent Events**

In September 2011, the City issued a \$3,495,000 General Obligation and Refunding Bond to refund \$2,806,067 in general obligation bonds, to provide \$600,000 to construct a building in the Public Works Compound, and to pay the costs of issuance.

On August 26, 2011, Hurricane Irene passed through the City causing damage and additional City services to be performed. The City is currently working with the Federal Emergency Management Agency to assess the financial impact of the damages and services.

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***Required Supplementary Information***

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**Budgetary Comparison Schedule- General Fund (Budget Basis)**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources</b>				
Revenue from local sources				
General property taxes				
Real property taxes	\$13,577,930	\$13,577,930	\$13,643,196	\$ 65,266
Public service corporation property taxes	140,000	140,000	139,840	(160)
Personal property	2,070,000	2,105,000	2,357,359	252,359
Penalties and interest	109,000	109,000	156,516	47,516
<b>Total general property taxes</b>	<b>15,896,930</b>	<b>15,931,930</b>	<b>16,296,911</b>	<b>364,981</b>
Other local taxes				
Sales and use taxes	890,500	890,500	955,937	65,437
Meals taxes	520,000	520,000	488,928	(31,072)
Cigarette taxes	70,000	70,000	50,548	(19,452)
Consumers' utility taxes	275,000	275,000	291,323	16,323
Consumption tax	39,500	39,500	43,235	3,735
Business license taxes	400,000	400,000	398,812	(1,188)
Bank stock taxes	26,000	26,000	49,681	23,681
Recordation and wills taxes	210,000	210,000	163,611	(46,389)
Deeds of conveyance	30,000	30,000	22,148	(7,852)
<b>Total other local taxes</b>	<b>2,461,000</b>	<b>2,461,000</b>	<b>2,464,223</b>	<b>3,223</b>
Permits, privilege fees and regulatory licenses				
Animal license	-	-	-	-
Permits and other licenses	75,400	75,400	78,464	3,064
<b>Total permits, privilege fees and regulatory licenses</b>	<b>75,400</b>	<b>75,400</b>	<b>78,464</b>	<b>3,064</b>
Fines and forfeitures	44,100	44,100	54,907	10,807
Revenue from use of money and property				
Revenue from use of money	16,000	37,259	27,057	(10,202)
Revenue from use of property	135,300	135,300	154,796	19,496
<b>Total revenue from use of money and property</b>	<b>151,300</b>	<b>172,559</b>	<b>181,853</b>	<b>9,294</b>

**Budgetary Comparison Schedule- General Fund (Budget Basis)**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Charges for services				
Charges for sales of maps	-	-	448	448
Charges for copying	4,800	4,800	3,167	(1,633)
Charges for passport processing	17,000	34,900	34,355	(545)
Charges for library and fees	23,000	23,000	23,850	850
EMS revenue recovery	200,000	200,000	201,219	1,219
Charges for school grounds maintenance	52,000	52,000	36,347	(15,653)
<b>Total charges for services</b>	<b>296,800</b>	<b>314,700</b>	<b>299,386</b>	<b>(15,314)</b>
Miscellaneous revenue				
Miscellaneous	4,000	4,500	20,073	15,573
Donations-library		15,044	15,291	247
Donations-volunteer fire and rescue	2,000	4,320	2,320	(2,000)
Donations-Heritage Park	67,500	67,500	10,000	(57,500)
Gain on sale of capital assets	-	4,967	11,463	6,496
Donations	-	-	65,000	65,000
<b>Total miscellaneous revenue</b>	<b>73,500</b>	<b>96,331</b>	<b>124,147</b>	<b>27,816</b>
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
DMV reimbursement	125,000	125,000	104,853	(20,147)
Local Aid Contra Revenue	(50,500)	(50,500)	(41,034)	9,466
Mobile home titling taxes	2,000	2,000	9,151	7,151
Rolling stock tax	-	-	5	5
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
<b>Total noncategorical aid</b>	<b>1,999,935</b>	<b>1,999,935</b>	<b>1,996,406</b>	<b>(3,529)</b>
Categorical aid				
Shared expenses				
Commissioner of the Revenue	94,905	94,905	97,402	2,497
Treasurer	86,031	86,031	88,100	2,069
Registrar/electoral board	43,363	43,363	38,385	(4,978)
<b>Total categorical aid</b>	<b>224,299</b>	<b>224,299</b>	<b>223,887</b>	<b>(412)</b>

**Budgetary Comparison Schedule- General Fund (Budget Basis)**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Other categorical aid				
State 599 police funds	241,671	241,671	241,688	17
Fire and EMS	38,299	41,606	46,284	4,678
Department of Emergency Services	2,000	2,000	2,000	-
Street and highway maintenance	775,800	775,800	775,800	-
Litter control	-	5,910	5,910	-
Library	145,280	145,280	131,571	(13,709)
Comprehensive services	250,000	250,000	121,813	(128,187)
State drug seizure	-	-	7,136	7,136
Other state grants	-	31,632	38,957	7,325
<b>Total other categorical aid</b>	<b>1,453,050</b>	<b>1,493,899</b>	<b>1,371,159</b>	<b>(122,740)</b>
<b>Total categorical aid</b>	<b>1,677,349</b>	<b>1,718,198</b>	<b>1,595,046</b>	<b>(123,152)</b>
<b>Total revenue from the Commonwealth</b>	<b>3,677,284</b>	<b>3,718,133</b>	<b>3,591,452</b>	<b>(126,681)</b>
Revenue from the federal government				
FEMA-Public Assistance	-	-	1,709	1,709
Miscellaneous	5,500	74,504	52,673	(21,831)
<b>Total revenue from the federal government</b>	<b>5,500</b>	<b>74,504</b>	<b>54,382</b>	<b>(20,122)</b>
Other financing sources				
Transfer from Sewer fund	130,000	130,000	130,000	-
Transfer from Fleet fund	-	31,200	31,200	-
Transfer from unappropriated fund	-	528,380	-	(528,380)
<b>Total other financing uses</b>	<b>130,000</b>	<b>689,580</b>	<b>161,200</b>	<b>(528,380)</b>
<b>Total revenue and other financing sources</b>	<b>\$22,811,814</b>	<b>\$23,578,237</b>	<b>\$23,306,925</b>	<b>\$(271,312)</b>

**Budgetary Comparison Schedule- General Fund (Budget Basis)**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Expenditures and other financing uses</b>				
General government administration				
Legislative - City Council	\$ 66,271	\$ 66,271	\$ 64,563	\$ 1,708
General and financial administration				
City Manager	394,103	390,103	384,039	6,064
Legal services	104,500	128,500	127,421	1,079
Independent auditor	35,000	35,000	34,004	996
Commissioner of the Revenue	281,625	281,625	274,718	6,907
Assessor/equalization board	168,433	168,433	164,198	4,235
Treasurer	335,738	335,738	330,457	5,281
Finance	330,648	330,648	330,429	219
Technology	39,000	74,000	74,000	-
Risk management	99,660	230,660	227,745	2,915
<b>Total general and financial administration</b>	<b>1,788,707</b>	<b>1,974,707</b>	<b>1,947,011</b>	<b>27,696</b>
Board of elections - electoral board and registrar	134,228	134,228	129,187	5,041
<b>Total general government administration</b>	<b>1,989,206</b>	<b>2,175,206</b>	<b>2,140,761</b>	<b>34,445</b>
Judicial Administration				
Courts	235,508	220,508	218,118	2,390
Sheriff	165,741	148,741	148,318	423
<b>Total judicial administration</b>	<b>401,249</b>	<b>369,249</b>	<b>366,436</b>	<b>2,813</b>
Public Safety				
Law enforcement and traffic control - police department	2,269,511	2,483,028	2,381,896	101,132
Fire and rescue services - fire department	2,587,900	2,692,140	2,419,982	272,158
Correction and detention - regional operated institutions	175,082	215,082	214,060	1,022
Inspections - various	338,329	348,329	348,292	37
Other protection - animal control	84,173	84,173	84,173	-
<b>Total public safety</b>	<b>5,454,995</b>	<b>5,822,752</b>	<b>5,448,403</b>	<b>374,349</b>



**Budgetary Comparison Schedule- General Fund (Budget Basis)**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Expenditures and other financing uses (Continued)</b>				
Community development				
Planning	341,638	341,638	291,974	49,664
Economic development	49,900	55,400	34,422	20,978
Community development	191,821	238,217	165,905	72,312
<b>Total community development</b>	<b>583,359</b>	<b>635,255</b>	<b>492,301</b>	<b>142,954</b>
Nondepartmental - miscellaneous	34,300	22,300	15,455	6,845
Department of motor vehicles	101,082	101,082	99,526	1,556
<b>Total nondepartmental</b>	<b>135,382</b>	<b>123,382</b>	<b>114,981</b>	<b>8,401</b>
<b>Other Financing Uses</b>				
Transfers to Debt Service Fund	2,042,842	2,042,842	2,036,982	5,860
Transfers to Capital Projects Fund	-	50,000	50,000	-
Transfers to Parks Recreation Fund	80,800	80,800	80,800	-
<b>Total other financing uses</b>	<b>2,123,642</b>	<b>2,173,642</b>	<b>2,167,782</b>	<b>5,860</b>
<b>Total expenditures and other financing uses</b>	<b>\$22,811,814</b>	<b>\$23,578,237</b>	<b>\$22,665,421</b>	<b>\$ 912,816</b>
<b>Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 641,504</b>	<b>\$ 641,504</b>
<b>Less - Encumbrances outstanding June 30, 2010, actually expended as of June 30, 2011</b>			(55,584)	
<b>Add - Encumbrances outstanding June 30, 2011</b>			162,865	
The Grant Fund is consolidated into the General Fund for reporting purposes:				
Investment Income			4	
Intergovernmental Revenue			52,007	
Community Development Expenditures			(102)	
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses, GAAP basis</b>			800,694	
<b>Fund balances, July 1, 2010</b>			4,890,082	
<b>Fund balances, June 30, 2011 (Exhibit D)</b>			<b>\$ 5,690,776</b>	

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

**Year Ended June 30, 2011**

**Schedules of Funding Progress**

	Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability	Over (Under) Funded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Over (Under) Funded Actuarial Liability as a Percent of Covered Payroll
<b>City Employees</b>	6/30/11	\$19,603,136	\$23,306,814	\$ 3,703,678	84.11%	\$5,022,695	(73.74%)
	6/30/10	\$19,500,696	\$21,541,226	\$(2,040,530)	90.53%	\$5,561,622	(36.69)%
	6/30/09	\$18,726,503	\$20,091,047	\$(1,364,544)	93.21%	\$5,424,958	(25.15)%
	6/30/08	\$16,597,606	\$17,743,747	\$(1,146,141)	93.54%	\$5,303,994	(21.61)%
	6/30/07	\$14,310,654	\$16,662,854	\$(2,352,200)	85.88%	\$5,003,885	(47.01)%
<b>School Board</b>							
<b>Non-professional Employees</b>	6/30/11	\$ 1,637,087	\$ 2,299,015	\$ 661,928	71.21%	\$ 631,722	(104.78)%
	6/30/10	\$ 1,590,308	\$ 2,120,722	\$ (530,414)	74.99%	\$ 694,281	(76.40)%
	6/30/09	\$ 1,479,453	\$ 1,975,378	\$ (495,924)	74.89%	\$ 619,656	(80.03)%
	6/30/08	\$ 1,314,569	\$ 1,856,849	\$ (542,280)	70.80%	\$ 557,851	(97.21)%
	6/30/07	\$ 1,151,079	\$ 1,641,274	\$ (490,195)	70.13%	\$ 675,990	(72.52)%

**Schedules of Employer Contributions**

	Valuation Date	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
<b>City Employees</b>	6/30/11	\$ 698,972	100.00%	\$ -
	6/30/10	\$ 740,737	100.00%	\$ -
	6/30/09	\$ 731,860	100.00%	\$ -
	6/30/08	\$ 547,466	100.00%	\$ -
	6/30/07	\$ 464,805	100.00%	\$ -
<b>School Board</b>				
<b>Non-professional Employees</b>	6/30/11	\$ 75,750	100.00%	\$ -
	6/30/10	\$ 98,370	100.00%	\$ -
	6/30/09	\$ 60,826	100.00%	\$ -
	6/30/08	\$ 44,884	100.00%	\$ -
	6/30/07	\$ 44,504	100.00%	\$ -

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

**Year Ended June 30, 2011**

**Schedules of Funding Progress**

	Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>City of Poquoson</b>	7/1/09	\$ -	\$ 636,500	\$ 636,500	0.00%	\$ 5,675,321	11.20%
	7/1/10	\$ -	\$ 745,924	\$ 745,924	0.00%	\$ 4,461,270	13.41%
<b>Component Unit - School Board</b>	7/1/09	\$ -	\$ 681,279	\$ 681,279	0.00%	\$12,452,785	5.47%
	7/1/10	\$ -	\$ 781,287	\$ 781,287	0.00%	\$11,603,841	6.73%

**Schedules of Employer Contributions**

	Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
<b>City of Poquoson</b>	7/1/09	\$ 59,901	63.80%	\$ 55,582
	7/1/10	\$ 66,657	(16.80%)	\$ 133,382
<b>Component Unit - School Board</b>	7/1/09	\$ 77,684	45.00%	\$ 77,537
	7/1/10	\$ 105,407	(5.33%)	\$ 188,491

*City of Poquoson, Virginia*

***Notes to Required Supplementary Information***

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**June 30, 2011**

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**1. Budgets and Budgetary Accounting**

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

- At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearing must appear in a local newspaper not less than ten days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted within 40 days of submission to City Council, but no later than May 31. If City Council does not adopt the proposed budget before May 31, the budget as submitted is automatically adopted.
- The City Manager is authorized to transfer budgeted amounts within departments. Expenditures over the original budget of any department must be approved by City Council.

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

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

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

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

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*Other Supplementary Information*

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

**June 30, 2011**

Assets	Governmental Activities		Total School Board
	General	Special Revenue	
Cash and cash equivalents	\$ 2,445,996	\$ 67,117	\$ 2,513,113
Due from other governmental units	513,047	-	513,047
Due from special revenue fund	15,058	-	15,058
Inventory	-	18,085	18,085
<b>Total assets</b>	<b>\$ 2,974,101</b>	<b>\$ 85,202</b>	<b>\$ 3,059,303</b>
<b>Liabilities</b>			
Vouchers and accounts payable	\$ 2,210,603	\$ 40,272	\$ 2,250,875
Due to primary government	27,022	-	27,022
Due to general fund	-	15,058	15,058
<b>Total liabilities</b>	<b>2,237,625</b>	<b>55,330</b>	<b>2,292,955</b>
<b>Fund Balances</b>			
Restricted	-	29,872	29,872
Assigned, education	736,476	-	736,476
Unassigned	-	-	-
<b>Total fund balances</b>	<b>736,476</b>	<b>29,872</b>	<b>766,348</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,974,101</b>	<b>\$ 85,202</b>	<b>\$ 3,059,303</b>

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

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**June 30, 2011**

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

Total fund balances - Component Unit - School Board	\$ 766,348
Amount reported for component unit activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	5,230,286
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(584,011)
<b>Total net assets - Component Unit - School Board</b>	<b>\$ 5,412,623</b>

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

**Year Ended June 30, 2011**

	General Fund	Special Revenue	Total School Board
<b>Revenues</b>			
Charges for services	\$ -	\$ 380,427	\$ 380,427
Intergovernmental			
Commonwealth of Virginia	10,226,103	14,973	10,241,076
Federal government	1,149,597	146,078	1,295,675
Local government	8,811,240	-	8,811,240
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>20,186,940</b>	<b>541,478</b>	<b>20,728,418</b>
<b>Expenditures</b>			
Current			
Education	19,976,965	674,655	20,651,620
<b>Total expenditures</b>	<b>19,976,965</b>	<b>674,655</b>	<b>20,651,620</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>209,975</b>	<b>(133,177)</b>	<b>76,798</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	162,688	162,688
Transfers out	(162,688)	-	(162,688)
<b>Total other financing sources, net</b>	<b>(162,688)</b>	<b>162,688</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>47,287</b>	<b>29,511</b>	<b>76,798</b>
<b>Fund balance, July 1, 2010</b>	<b>689,189</b>	<b>30,478</b>	<b>719,667</b>
<b>Fund balance, June 30, 2011</b>	<b>\$ 736,476</b>	<b>\$ 59,989</b>	<b>\$ 796,465</b>

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

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**Year Ended June 30, 2011**

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

Net change in fund balances - total School Board funds \$ 76,798

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

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

Depreciation expense (1,023,397)

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

Other post-employment benefit obligation (110,954)

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

398,018

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

(17,192)

**Change in net assets of governmental activities \$ (676,727)**

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

**Year Ended June 30, 2011**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ 10,626,110	\$ 10,493,570	\$ 10,226,103	\$ (267,467)
Federal government	984,017	2,007,329	1,149,597	(857,732)
Local government	8,516,601	8,699,674	8,811,240	111,566
Miscellaneous	186,565	167,114	-	(167,114)
<b>Total revenues</b>	<b>20,313,293</b>	<b>21,367,687</b>	<b>20,186,940</b>	<b>(1,180,747)</b>
<b>Expenditures</b>				
Current				
Instruction	14,801,452	14,446,702	14,169,046	277,656
Division-wide	893,867	865,178	822,282	42,896
Transportation	748,639	843,075	815,913	27,162
Operation and maintenance	1,784,702	2,088,361	1,895,751	192,610
Food service	292,197	292,197	285,804	6,393
Technology	952,919	934,968	735,439	199,529
Grants	839,517	1,897,206	782,648	1,114,558
<b>Total expenditures</b>	<b>20,313,293</b>	<b>21,367,687</b>	<b>19,506,883</b>	<b>1,860,804</b>
<b>Other financing sources (uses)</b>				
Transfer out - special revenue fund			(162,688)	(162,688)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(162,688)</b>	<b>(162,688)</b>
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis</b>				
	\$ -	\$ -	\$ 517,369	\$ 517,369
<b>Less - encumbrances outstanding June 30, 2010, actually expended as of June 30, 2011</b>				
			(689,189)	
<b>Add - encumbrances outstanding June 30, 2011</b>				
			736,476	
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses - GAAP basis</b>				
			47,287	
<b>Fund balance, June 30, 2010</b>				
			689,189	
<b>Fund balance, June 30, 2011</b>				
			\$ 736,476	

**Schedule of Changes in Capital Assets by Function and Activity - School Board**

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**Year Ended June 30, 2011**

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	<b>Balance July 1, 2010</b>	Additions	Deductions	<b>Balance June 30, 2011</b>
Education	\$ 41,921,394	\$ 331,363	\$ 418,000	\$ 41,834,757
Less - accumulated depreciation	(9,613,741)	(1,023,397)	(418,000)	(10,219,138)
	<u>32,307,653</u>	<u>(692,034)</u>	<u>-</u>	<u>31,615,619</u>
Allocation of assets to City, net	<u>(26,451,998)</u>	<u>66,665</u>	<u>-</u>	<u>(26,385,333)</u>
	<u>\$ 5,855,655</u>	<u>\$ (625,369)</u>	<u>\$ -</u>	<u>\$ 5,230,286</u>

**Schedule of Changes in Assets and Liabilities - Agency Funds**  
**Discretely Presented Component Unit - School Board**

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**Year Ended June 30, 2011**

(School Activity Funds and Instructional Support Fund)

	<b>Balance July 1, 2010</b>	Additions	Deductions	<b>Balance June 30, 2011</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 459,729	\$ 908,445	\$ 906,987	\$ 461,187
<b>Liabilities</b>				
Due to students	\$ 459,729	\$ 908,445	\$ 906,987	\$ 461,187

**Statement of Changes in Assets and Liabilities - Library Agency Fund**

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**Year Ended June 30, 2011**

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	<b>Balance July 1, 2010</b>	Additions	Deductions	<b>Balance June 30, 2011</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 38,121	\$ 79	\$ -	\$ 38,200
<b>Liabilities</b>				
Amounts held for others	\$ 38,121	\$ 79	\$ -	\$ 38,200

**Statement of Cash Flows - Component Unit - Economic Development Authority****Year Ended June 30, 2011**

<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 31,528
Payments to suppliers for goods and services	(116,626)
<b>Net cash provided by operating activities</b>	<u>(85,098)</u>
<b>Cash flows from capital and related financing activities</b>	
Interest paid on capital debt	(35,903)
Purchase of capital assets	(356,289)
City appropriations	-
Borrowings repaid	-
<b>Net cash used in capital and related financing activities</b>	<u>(392,192)</u>
<b>Net increase in cash and cash equivalents</b>	(477,290)
<b>Cash and cash equivalents, beginning of year</b>	<u>109,827</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ (367,463)</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income (loss)	\$ (89,210)
Adjustments	
Depreciation and amortization	23,609
Changes in assets and liabilities	
Accounts receivable	(487)
Accounts payable	(19,010)
<b>Net cash provided by operating activities</b>	<u>\$ (85,098)</u>

*City of Poquoson, Virginia*

***Statistical Section Overview***

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**June 30, 2011**

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This part of the City of Poquoson’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health.

**Contents**

**Financial Trends**

**Tables 1 - 4**

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

**Revenue Capacity**

**Tables 5 - 7**

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

**Debt Capacity**

**Tables 8 - 10**

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

**Demographic and Economic Information**

**Tables 11 - 12**

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

**Operation Information**

**Tables 13 - 15**

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

**Sources:** Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in FY 2003; tables presenting information relating to GASB Statement 34 include information beginning in that year.

\* \* \* \* \*

Net Assets by Component

Last nine fiscal years	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities									
Invested in capital assets, net of related debt	\$ 17,125,374	\$ 17,493,727	\$ 18,654,461	\$ 12,045,582	\$ 17,183,471	\$ 10,104,292	\$ 7,579,069	\$ 6,026,883	\$ 5,133,636
Unrestricted	6,389,967	5,235,762	4,668,824	9,164,683	3,057,158	5,044,143	5,765,548	4,925,489	4,959,729
<b>Total governmental activities</b>	<b>\$ 23,515,341</b>	<b>\$ 22,729,489</b>	<b>\$ 23,323,285</b>	<b>\$ 21,210,265</b>	<b>\$ 20,240,629</b>	<b>\$ 15,148,435</b>	<b>\$ 13,344,617</b>	<b>\$ 10,952,372</b>	<b>\$ 10,093,365</b>
Business-type activities									
Invested in capital assets - net of related debt	\$ 5,073,709	\$ 4,923,135	\$ 5,595,258	\$ 5,518,765	\$ 5,516,767	\$ 5,502,835	\$ 5,164,685	\$ 5,232,966	\$ 4,693,016
Restricted - debt service	-	-	-	-	-	-	-	-	598,114
Restricted - sewer improvements	-	-	-	-	-	-	-	71,623	-
Unrestricted	499,193	1,358,338	1,038,282	1,454,510	1,808,221	1,690,392	1,854,439	1,459,144	1,704,131
<b>Total business-type activities</b>	<b>\$ 5,572,902</b>	<b>\$ 6,281,473</b>	<b>\$ 6,633,540</b>	<b>\$ 6,973,275</b>	<b>\$ 7,324,988</b>	<b>\$ 7,193,227</b>	<b>\$ 7,019,124</b>	<b>\$ 6,763,733</b>	<b>\$ 6,995,261</b>
Primary government									
Invested in capital assets - net of related debt	\$ 22,199,083	\$ 22,416,862	\$ 24,249,719	\$ 17,564,347	\$ 22,700,238	\$ 15,607,127	\$ 12,743,754	\$ 11,259,849	\$ 9,826,652
Restricted - debt service	-	-	-	-	-	-	-	-	598,114
Restricted - sewer improvements	-	-	-	-	-	-	-	71,623	-
Unrestricted	6,889,160	6,594,100	5,707,106	10,619,193	4,865,379	6,734,535	7,619,987	6,384,633	6,663,860
<b>Total primary government</b>	<b>\$ 29,088,243</b>	<b>\$ 29,010,962</b>	<b>\$ 29,956,825</b>	<b>\$ 28,183,540</b>	<b>\$ 27,565,617</b>	<b>\$ 22,341,662</b>	<b>\$ 20,363,741</b>	<b>\$ 17,716,105</b>	<b>\$ 17,088,626</b>

Note: GASB 34 was implemented by the City of Poquoson in FY 2003. Data for this schedule prior to FY 2003 is not available.

Change in Net Assets

Last nine fiscal years	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>									
Governmental activities									
General government	\$ 2,328,395	\$ 2,960,944	\$ 2,735,018	\$ 1,415,530	\$ 4,532,796	\$ 2,379,161	\$ 1,846,634	\$ 1,569,814	\$ 1,480,465
Public safety and judicial	6,147,949	6,016,699	5,844,764	6,668,792	5,514,359	4,896,621	4,931,153	4,101,007	3,968,182
Public works	1,883,380	950,043	1,780,286	1,587,249	1,511,607	1,327,111	1,694,612	1,659,214	1,472,320
Health and welfare	817,008	1,022,735	1,162,301	1,081,767	862,689	821,356	840,310	650,092	605,334
Education	9,080,484	10,906,525	8,364,349	8,405,003	8,126,211	7,426,666	7,087,769	6,965,522	6,459,434
Parks and recreation	1,224,910	859,051	1,389,000	1,249,535	18,006	1,030,174	1,343,537	839,537	775,359
Community development	488,893	547,051	1,272,635	2,327,008	1,081,786	817,214	563,788	636,477	514,618
Interest on long-term debt	1,213,782	1,100,826	1,263,686	1,399,427	1,246,037	462,508	500,461	525,850	561,580
<b>Total governmental activities</b>	<b>23,184,801</b>	<b>24,363,874</b>	<b>23,812,039</b>	<b>24,134,311</b>	<b>22,893,491</b>	<b>19,160,811</b>	<b>18,808,264</b>	<b>16,947,513</b>	<b>15,837,292</b>
Business-type activities									
Sewer	2,057,173	1,685,334	1,534,743	1,604,560	1,596,599	1,554,446	1,537,870	1,609,179	1,657,238
Parks and recreation	450,025	401,006	463,662	463,668	473,754	587,701	545,799	524,504	543,327
Solid waste	791,114	766,921	768,565	904,411	595,209	528,325	475,269	446,172	430,223
<b>Total business-type activities</b>	<b>3,298,312</b>	<b>2,853,261</b>	<b>2,766,970</b>	<b>2,972,639</b>	<b>2,665,562</b>	<b>2,670,472</b>	<b>2,558,938</b>	<b>2,579,855</b>	<b>2,630,788</b>
<b>Total expenses</b>	<b>\$ 26,483,113</b>	<b>\$ 27,217,135</b>	<b>\$ 26,579,009</b>	<b>\$ 27,106,950</b>	<b>\$ 25,559,053</b>	<b>\$ 21,831,283</b>	<b>\$ 21,367,202</b>	<b>\$ 19,527,368</b>	<b>\$ 18,468,080</b>
<b>Program revenues</b>									
Governmental activities									
Charges for services									
General government	\$ 223,887	\$ 254,482	\$ 274,901	\$ 157,130	\$ 100,055	\$ 104,747	\$ 100,546	\$ 92,864	\$ -
Public safety and judicial	300,870	103,169	108,456	102,452	185,842	163,397	118,496	95,621	105,102
Education	36,347	-	-	-	-	-	-	21,800	21,200
Parks and recreation	61,820	217,372	55,288	69,952	72,253	24,367	24,543	25,849	22,835
Community development	33,721	22,614	22,741	36,230	51,543	53,397	-	109,087	40,392
Nondepartmental	-	-	-	-	-	-	-	-	60,266
Operating grants and contributions	1,881,297	1,986,470	1,658,180	2,290,305	2,094,100	2,122,034	2,705,293	1,718,011	1,326,011
Capital grants and contributions	419,225	330,892	2,873,294	1,745,973	1,260,858	342,400	1,187,904	193,425	694,324
<b>Total governmental activities</b>	<b>2,957,167</b>	<b>2,914,999</b>	<b>4,992,860</b>	<b>4,402,042</b>	<b>3,764,651</b>	<b>2,810,342</b>	<b>4,136,782</b>	<b>2,256,657</b>	<b>2,270,130</b>
Business-type activities									
Charges for services									
Sewer	1,531,319	1,487,157	1,528,438	1,514,893	1,803,913	1,413,403	1,271,539	1,216,215	1,151,403
Solid waste	189,782	743,965	586,277	511,173	329,172	315,082	340,230	325,361	300,715
Parks and recreation	755,834	179,070	171,459	177,858	209,147	334,911	325,319	325,083	331,999
<b>Total business-type activities</b>	<b>2,476,935</b>	<b>2,410,192</b>	<b>2,286,174</b>	<b>2,203,924</b>	<b>2,342,232</b>	<b>2,063,396</b>	<b>1,937,088</b>	<b>1,866,659</b>	<b>1,784,117</b>
<b>Total program revenues</b>	<b>\$ 5,434,102</b>	<b>\$ 5,325,191</b>	<b>\$ 7,279,034</b>	<b>\$ 6,605,966</b>	<b>\$ 6,106,883</b>	<b>\$ 4,873,738</b>	<b>\$ 6,073,870</b>	<b>\$ 4,123,316</b>	<b>\$ 4,054,247</b>
<b>Governmental activities, net expense</b>	<b>\$ (20,227,634)</b>	<b>\$ (21,448,875)</b>	<b>\$ (18,819,179)</b>	<b>\$ (19,732,269)</b>	<b>\$ (19,128,840)</b>	<b>\$ (16,350,469)</b>	<b>\$ (14,671,482)</b>	<b>\$ (14,690,856)</b>	<b>\$ (13,567,162)</b>
<b>Business-type activities, net expense</b>	<b>(821,377)</b>	<b>(443,069)</b>	<b>(480,796)</b>	<b>(768,715)</b>	<b>(323,330)</b>	<b>(607,076)</b>	<b>(621,850)</b>	<b>(713,196)</b>	<b>(846,671)</b>
<b>Total primary government, net expenses</b>	<b>\$ (21,049,011)</b>	<b>\$ (21,891,944)</b>	<b>\$ (19,299,975)</b>	<b>\$ (20,500,984)</b>	<b>\$ (19,452,170)</b>	<b>\$ (16,957,545)</b>	<b>\$ (15,293,332)</b>	<b>\$ (15,404,052)</b>	<b>\$ (14,413,833)</b>

Note: GASB 34 was implemented by the City of Poquoson in FY 2003. Data for this schedule prior to FY 2003 is not available.

Change in Net Assets

Last nine fiscal years	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General revenues and other changes in net assets</b>									
Governmental activities:									
Taxes:									
Property taxes	\$ 18,235,363	\$ 18,054,307	\$ 17,989,555	\$ 15,956,711	\$ 15,636,708	\$ 13,053,028	\$ 12,489,445	\$ 11,135,298	\$ 10,796,813
Other taxes	2,464,223	2,451,932	2,537,554	2,613,195	2,541,189	2,792,592	2,635,723	2,524,964	2,442,485
Reimbursements from other agencies	75,318	102,239	95,694	1,367,713	1,970,935	2,035,707	1,830,047	2,012,657	1,669,092
Payments in lieu of taxes:									
Investment earnings	183,284	156,139	179,671	728,606	1,085,397	415,638	119,801	-	52,492
Miscellaneous	(36,565)	51,462	99,725	294,109	146,900	75,005	116,511	83,401	67,633
Gain on disposal of capital assets	11,463	-	-	-	-	-	-	-	-
Transfers	80,400	39,000	30,000	(258,430)	(270,005)	(217,683)	(127,800)	(102,200)	(74,000)
<b>Total governmental activities</b>	<b>21,013,486</b>	<b>20,855,079</b>	<b>20,932,199</b>	<b>20,701,904</b>	<b>21,111,124</b>	<b>18,154,287</b>	<b>17,063,727</b>	<b>15,654,120</b>	<b>14,954,515</b>
Business-type activities:									
Investment earnings	29,476	30,522	29,264	37,001	37,913	23,393	23,888	39,559	84,824
Miscellaneous	132,530	99,480	141,797	167,035	147,176	540,100	725,553	339,909	318,936
Loss on disposal of capital assets	-	-	-	(45,464)	-	-	-	-	-
Transfers	(49,200)	(39,000)	(30,000)	258,430	270,005	217,683	127,800	102,200	74,000
<b>Total business-type activities</b>	<b>112,806</b>	<b>91,002</b>	<b>141,061</b>	<b>417,002</b>	<b>455,094</b>	<b>781,176</b>	<b>877,241</b>	<b>481,668</b>	<b>477,760</b>
<b>Total general revenues and other changes in net assets</b>	<b>\$ 21,126,292</b>	<b>\$ 20,946,081</b>	<b>\$ 21,073,260</b>	<b>\$ 21,118,906</b>	<b>\$ 21,566,218</b>	<b>\$ 18,935,463</b>	<b>\$ 17,940,968</b>	<b>\$ 16,135,788</b>	<b>\$ 15,432,275</b>
<b>Extraordinary item</b>									
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (104,257)	\$ -
Hurricane Isabel									
<b>Change in Net Assets</b>	<b>\$ 785,852</b>	<b>\$ (593,796)</b>	<b>\$ 2,113,020</b>	<b>\$ 969,635</b>	<b>\$ 1,982,284</b>	<b>\$ 1,803,818</b>	<b>\$ 2,392,245</b>	<b>\$ 859,007</b>	<b>\$ 1,387,353</b>
Governmental activities	(708,571)	(352,067)	(339,735)	(351,713)	131,764	174,100	255,391	(231,528)	(368,911)
Business-type activities	\$ 77,281	\$ (945,863)	\$ 1,773,285	\$ 617,922	\$ 2,114,048	\$ 1,977,918	\$ 2,647,636	\$ 627,479	\$ 1,018,442

Note: GASB 34 was implemented by the City of Poquoson in FY 2003. Data for this schedule prior to FY 2003 is not available.

**Fund Balances - Governmental Funds**

**Last Ten Fiscal Years**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General fund:</b>										
Non-Spendable	\$ 273,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	193,477	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	447,892	-	-	-	-	-	-	-	-	-
Unassigned	4,776,356	-	-	-	-	-	-	-	-	-
Reserved for:										
Encumbrances & loans	-	347,863	392,810	276,571	180,562	125,336	71,459	125,653	114,656	110,644
Asset forfeiture	-	83,704	89,261	89,594	-	-	-	-	-	-
Fire department	-	100,858	69,671	-	-	-	-	-	-	-
Library	-	13,015	13,861	-	-	-	-	-	-	-
Heritage Park	-	6,060	-	-	-	-	-	-	-	-
Unreserved	-	4,338,582	3,389,561	3,571,770	4,858,261	4,550,535	4,764,304	4,015,477	4,239,425	3,861,831
<b>Total general fund</b>	\$ 5,690,776	\$ 4,890,082	\$ 3,955,164	\$ 3,937,935	\$ 5,038,823	\$ 4,675,871	\$ 4,835,763	\$ 4,141,130	\$ 4,354,081	\$ 3,972,475
<b>All other governmental funds:</b>										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	478,967	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	391,118	-	-	-	-	-	-	-	-	-
Reserved for:										
Purchase of fire truck	-	-	-	-	-	-	339,000	-	-	-
Grants	-	-	32,077	27,168	9,738	(73,569)	52,055	-	-	-
Construction - bond principal	-	651,191	826,219	4,244,577	16,196,290	13,433,589	-	-	-	-
Construction - bond earnings	-	-	-	-	82,801	318,938	-	-	-	-
Encumbrances	-	-	-	-	-	-	-	-	-	221,203
Unreserved for:										
Designated	-	-	-	1,203,324	327,503	1,273,130	747,677	1,024,626	767,291	628,969
Unreserved and undesignated	-	258,713	470,991	258,724	385,137	80,000	-	-	-	-
<b>Total all other governmental funds</b>	\$ 870,085	\$ 909,904	\$ 1,329,287	\$ 5,733,793	\$ 17,001,469	\$ 15,032,088	\$ 1,138,732	\$ 1,024,626	\$ 767,291	\$ 850,172

Note: GASB 54 was implemented by the City of Poquoson in FY 2011. Data for this schedule prior to FY 2011 is not available.

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>										
General property taxes	\$ 16,296,911	\$ 16,023,837	\$ 16,034,422	\$ 16,127,168	\$ 15,562,860	\$ 13,012,958	\$ 12,488,453	\$ 11,226,560	\$ 10,859,951	\$ 9,716,038
Other local taxes	2,464,223	2,451,932	2,537,554	2,613,195	2,541,189	2,792,592	2,635,722	2,524,964	2,442,485	2,402,784
Permits, privilege fees and regulatory licenses	78,464	70,947	83,775	98,233	162,218	173,401	172,455	173,525	116,843	144,907
Fines and forfeitures	54,907	54,836	46,859	38,201	73,942	37,283	30,583	24,605	27,970	22,596
Revenue from use of money and property	183,282	157,426	224,492	825,346	1,171,832	503,615	202,548	58,937	132,706	120,990
Charges for services	299,386	217,372	55,909	71,505	72,749	29,694	30,318	31,740	23,132	29,069
Intergovernmental	4,416,734	4,597,512	4,871,491	6,017,329	5,389,676	4,898,316	5,324,277	3,690,854	3,670,215	3,540,724
Miscellaneous	128,881	60,625	86,991	320,188	94,093	37,381	93,385	369,054	88,481	24,817
<b>Total revenues</b>	<b>23,922,788</b>	<b>23,634,487</b>	<b>23,941,493</b>	<b>26,111,165</b>	<b>25,068,559</b>	<b>21,485,240</b>	<b>20,977,741</b>	<b>18,104,239</b>	<b>17,361,783</b>	<b>16,001,925</b>
<b>Expenditures</b>										
Current										
General government and administration	2,106,211	1,924,481	2,324,651	2,018,674	1,938,236	1,754,223	1,543,930	1,330,271	1,273,661	1,257,684
Public safety and judicial	5,765,369	5,601,358	5,328,217	5,952,162	5,235,778	4,857,162	4,440,330	4,007,945	3,774,685	3,284,029
Public works	1,516,878	1,530,904	1,535,411	1,503,219	1,428,384	1,232,132	1,284,108	1,125,448	1,013,082	1,025,194
Health and welfare	802,490	1,016,083	1,131,499	1,067,418	843,523	802,295	819,499	657,485	601,282	447,294
Parks, recreation, and cultural	1,016,944	1,003,795	1,169,328	1,175,226	1,034,306	935,543	830,797	763,681	763,866	720,466
Community development	490,912	529,529	1,236,529	2,222,658	1,544,499	640,718	507,520	535,757	452,374	449,777
Nondepartmental	112,981	329,279	134,282	218,133	173,643	140,315	127,144	115,105	78,254	42,271
Education	8,578,675	8,008,392	8,078,598	8,147,463	7,880,000	7,555,104	7,311,063	6,728,536	6,901,085	6,696,939
Industrial Development Authority	-	40,000	51,250	110,000	123,861	147,530	59,900	95,000	-	-
Capital outlays	814,871	838,069	7,085,050	14,035,793	8,460,299	2,447,596	2,338,525	986,129	993,632	1,266,450
Debt service										
Principal retirement	896,963	1,358,073	1,414,131	1,495,455	1,092,106	1,058,843	1,066,793	983,418	4,320,579	987,099
Bond issuance costs	43,263	234,339	139,699	-	-	-	500	2,000	17,300	-
Interest and fiscal charges	1,136,670	1,201,041	1,244,582	1,258,222	1,038,815	462,632	497,733	522,623	595,909	610,220
<b>Total expenditures</b>	<b>23,282,227</b>	<b>23,615,343</b>	<b>30,873,227</b>	<b>39,204,423</b>	<b>30,793,450</b>	<b>22,034,093</b>	<b>20,827,842</b>	<b>17,853,398</b>	<b>20,785,709</b>	<b>16,787,423</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>640,561</b>	<b>19,144</b>	<b>(6,931,734)</b>	<b>(13,093,258)</b>	<b>(5,724,891)</b>	<b>(548,853)</b>	<b>149,899</b>	<b>250,841</b>	<b>(3,423,926)</b>	<b>(785,498)</b>
<b>Other financing sources (uses)</b>										
Transfers in	2,248,182	2,587,735	2,708,519	448,610	457,417	150,000	590,000	151,800	590,651	807,468
Issuance of debt	39,914	457,391	2,514,557	664,414	8,000,000	14,500,000	349,640	-	3,405,000	597,000
Transfers out	(2,167,782)	(2,548,735)	(2,678,519)	(388,430)	(400,193)	(367,683)	(280,800)	(254,000)	(273,000)	(286,400)
<b>Total other financing sources (uses)</b>	<b>120,314</b>	<b>496,391</b>	<b>2,544,557</b>	<b>724,594</b>	<b>8,057,224</b>	<b>14,282,317</b>	<b>658,840</b>	<b>(102,200)</b>	<b>3,722,651</b>	<b>1,118,068</b>
<b>Net change in fund balances before extraordinary item</b>	<b>760,875</b>	<b>515,535</b>	<b>(4,387,177)</b>	<b>(12,368,664)</b>	<b>2,332,333</b>	<b>13,733,464</b>	<b>808,739</b>	<b>148,641</b>	<b>298,725</b>	<b>332,570</b>
<b>Extraordinary item - Hurricane Isabel</b>										
Revenues	-	-	-	-	-	-	-	2,693,258	-	-
Expenditures	-	-	-	-	-	-	-	(2,797,515)	-	-
<b>Total extraordinary item - Hurricane Isabel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(104,257)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 760,875</b>	<b>\$ 515,535</b>	<b>\$ (4,387,177)</b>	<b>\$ (12,368,664)</b>	<b>\$ 2,332,333</b>	<b>\$ 13,733,464</b>	<b>\$ 808,739</b>	<b>\$ 44,384</b>	<b>\$ 298,725</b>	<b>\$ 332,570</b>
Debt service as a percentage of noncapital expenditures	9.17%	12.75%	11.18%	11.23%	9.73%	9.78%	8.50%	9.28%	24.98%	10.14%

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

Fiscal Year	Residential Property	Commercial / Industrial Property	Agricultural Property	Total Taxable		Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
				Assessed Value	Value				
2011	\$ 1,622,194,900	\$ 102,253,036	\$ 3,798,800	\$ 1,728,246,736	\$ 109,434,010	\$ 0.81	\$ 1,641,834,400	105%	
2010	\$ 1,612,987,500	\$ 103,065,821	\$ 3,798,800	\$ 1,719,852,121	\$ 109,430,730	\$ 0.81	\$ 1,719,852,121	100%	
2009	\$ 1,604,471,900	\$ 91,095,808	\$ 3,227,800	\$ 1,698,795,508	\$ 81,348,380	\$ 0.81	\$ 1,705,314,450	99%	
2008	\$ 1,577,324,400	\$ 97,776,982	\$ 3,227,800	\$ 1,678,329,182	\$ 81,410,750	\$ 0.81	\$ 1,730,236,270	97%	
2007	\$ 1,543,797,900	\$ 90,461,496	\$ 3,227,800	\$ 1,637,487,196	\$ 80,948,613	\$ 0.81	\$ 1,817,410,872	90%	
2006	\$ 955,801,900	\$ 79,069,841	\$ 2,431,400	\$ 1,037,303,141	\$ 71,268,800	\$ 1.06	\$ 1,548,213,643	67%	
2005	\$ 933,021,200	\$ 79,555,306	\$ 2,425,800	\$ 1,015,002,306	\$ 71,118,562	\$ 1.06	\$ 1,318,184,813	77%	
2004	\$ 772,269,200	\$ 73,015,935	\$ 1,998,600	\$ 847,283,735	\$ 63,679,146	\$ 1.12	\$ 901,365,676	94%	
2003	\$ 755,651,100	\$ 69,944,736	\$ 2,008,300	\$ 827,604,136	\$ 59,679,816	\$ 1.12	\$ 962,330,391	86%	
2002	\$ 677,825,700	\$ 69,359,197	\$ 1,836,400	\$ 749,021,297	\$ 54,070,535	\$ 1.12	\$ 851,160,565	88%	

Source: Commissioner of the Revenue and City Assessor.  
Includes Public Service Corporations.

**Property Tax Levies and Collections**

Fiscal Year	Net Taxes Levied			Collected Within the Fiscal Year of the Levy		Total Collected to Date	
	for Fiscal Year (Original Levy)	Subsequent Year Adjustments	Total Adjusted Net Levy	Amount	Percent of Original Levy	Amount	Percent of Original Levy
2011	\$ 13,666,068	\$ -	\$ 13,666,068	\$13,371,917	97.85%	\$ 13,371,917	97.85%
2010	\$ 13,614,366	\$ 2,802	\$ 13,617,168	\$13,371,918	98.22%	\$ 13,524,579	99.32%
2009	\$ 13,481,887	\$ 1,225	\$ 13,483,112	\$13,306,699	98.70%	\$ 13,452,779	99.78%
2008	\$ 13,330,523	\$ (1,165)	\$ 13,329,358	\$13,186,765	98.92%	\$ 13,317,146	99.91%
2007	\$ 13,075,301	\$ 130	\$ 13,075,431	\$12,941,290	98.98%	\$ 13,065,966	99.93%
2006	\$ 10,831,249	\$ 2,552	\$ 10,833,801	\$10,643,194	98.26%	\$ 10,828,833	99.95%
2005	\$ 10,566,343	\$ 5,748	\$ 10,572,091	\$10,399,214	98.42%	\$ 10,569,808	99.98%
2004	\$ 9,274,686	\$ (9,546)	\$ 9,265,140	\$ 9,104,267	98.16%	\$ 9,260,280	99.95%
2003	\$ 9,178,628	\$ (276)	\$ 9,178,352	\$ 8,964,109	97.66%	\$ 9,174,941	99.96%
2002	\$ 8,227,541	\$ 40	\$ 8,227,581	\$ 7,988,231	97.09%	\$ 8,223,302	99.95%

**Principal Taxpayers - 2011 and Nine Years Ago**

Years Ended		2011		2002	
Taxpayer	Type of Business	Assessed	Percentage	Assessed	Percentage
		Valuation	of Total	Valuation	of Total
		Real Estate	Real Estate	Real Estate	Real Estate
		Real Estate	Assessment	Real Estate	Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 9,460,200	0.55%	\$ 6,796,800	0.91%
Poquoson Commons Retail Investors, Inc.	Shopping Center	6,415,500	0.37%	-	-
Whitehouse Cove, LLC	Marina / Mobile Home Park	4,934,100	0.29%	-	-
Poquoson Shopping Center, L.L.C.	Shopping Center	4,532,700	0.26%	-	-
SGC Wythe Creek, L.L.C.	Shopping Center	4,407,200	0.26%	-	-
GPH Poquoson L.L.C.	Nursing Home	3,641,600	0.21%	-	-
Islander Associates	Apartment Rentals	3,444,200	0.20%	2,502,400	0.33%
Universal of Poquoson	Mobile Home Park	3,299,000	0.19%	2,241,200	0.30%
Hunt Properties of Poquoson, Inc.	Storage Facilities	2,671,900	0.15%	-	-
SNH CHS Properties Trust	Nursing Home	2,321,600	0.13%	-	-
Wachovia Bank	Financial Institution	-	-	1,664,100	0.22%
Bristol-Cardiff	Shopping Center	-	-	5,622,700	0.75%
Vantage Healthcare Corporation	Nursing Home	-	-	2,092,100	0.28%
Carematrix of Dominion Village	Nursing Home	-	-	1,801,800	0.24%
WCP, L.L.C.	Shopping Center	-	-	3,660,800	0.49%
Suburban Land Company	Shopping Center	-	-	3,775,300	0.50%
Langley Federal Credit Union	Financial Institution	-	-	1,367,700	0.18%
		<b>\$45,128,000</b>	<b>2.61%</b>	<b>\$31,524,900</b>	<b>4.20%</b>

Source: Commissioner of the Revenue and City Assessor.

**Computation of Legal Debt Margin**

Last Ten Fiscal Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Total assessed value of taxed real property</b>										
General	\$ 1,711,308,830	\$ 1,702,517,110	\$ 1,685,314,440	\$ 1,662,716,070	\$ 1,627,336,017	\$ 1,025,497,078	\$ 1,002,511,357	\$ 832,002,644	\$ 814,646,831	\$ 732,405,108
Public service corporations	16,937,906	17,335,011	13,481,068	15,613,112	10,151,179	11,806,063	12,490,949	15,281,091	12,957,305	16,616,189
<b>Total</b>	<b>\$ 1,728,246,736</b>	<b>\$ 1,719,852,121</b>	<b>\$ 1,698,795,508</b>	<b>\$ 1,678,329,182</b>	<b>\$ 1,637,487,196</b>	<b>\$ 1,037,303,141</b>	<b>\$ 1,015,002,306</b>	<b>\$ 847,283,735</b>	<b>\$ 827,604,136</b>	<b>\$ 749,021,297</b>
<b>Debt limit (10% of total assessed value)</b>	<b>\$ 172,824,674</b>	<b>\$ 171,985,212</b>	<b>\$ 169,879,551</b>	<b>\$ 167,832,918</b>	<b>\$ 163,748,720</b>	<b>\$ 103,730,314</b>	<b>\$ 101,500,231</b>	<b>\$ 84,728,374</b>	<b>\$ 82,760,414</b>	<b>\$ 74,902,130</b>
<b>Debt applicable to debt limit</b>										
General obligation bonds, other than those authorized for a specific revenue producing project	\$ 28,164,822	\$ 28,689,878	\$ 29,552,678	\$ 27,460,783	\$ 28,341,971	\$ 20,966,951	\$ 7,060,912	\$ 7,645,953	\$ 8,189,853	\$ 8,455,597
Capital leases	241,240	316,204	388,577	978,046	525,899	591,024	653,906	-	-	-
Sewer general obligation bonds	9,425,933	9,890,072	9,796,907	10,508,638	11,280,327	12,049,089	12,791,016	13,506,624	14,131,490	14,779,335
State literary fund loans	2,084,820	2,361,820	2,763,820	3,165,820	3,567,820	3,969,820	4,371,820	4,811,338	5,250,856	5,690,374
	39,916,815	41,257,974	42,501,982	42,113,287	43,716,017	37,576,884	24,877,654	25,963,915	27,572,199	28,925,306
<b>Margin for additional borrowing</b>	<b>\$ 132,907,859</b>	<b>\$ 130,727,238</b>	<b>\$ 127,377,569</b>	<b>\$ 125,719,631</b>	<b>\$ 120,032,703</b>	<b>\$ 66,153,430</b>	<b>\$ 76,622,577</b>	<b>\$ 58,764,459</b>	<b>\$ 55,188,215</b>	<b>\$ 45,976,824</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>23.10%</b>	<b>23.99%</b>	<b>25.02%</b>	<b>25.09%</b>	<b>26.70%</b>	<b>36.23%</b>	<b>24.51%</b>	<b>30.64%</b>	<b>33.32%</b>	<b>38.62%</b>

**Ratios of Outstanding Debt by Type**

Last Ten Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Median Household Income	Percentage of Personal Income	Per Capita
	General		Capital Leases		Sewer Bonds		Total					
	Fiscal Year	Obligation Bonds	Term Loans Payable	Capital Leases	Sewer Bonds	Primary Government	Household Income	Percentage of Personal Income				
2011	\$ 28,164,822	\$ 2,084,820	\$ 241,240	\$ 9,425,933	\$ 39,916,815	N/A	N/A	\$ 3,285				
2010	\$ 28,689,878	\$ 2,361,820	\$ 316,204	\$ 9,890,072	\$ 41,257,974	N/A	N/A	\$ 3,473				
2009	\$ 29,552,678	\$ 2,763,820	\$ 388,577	\$ 9,796,907	\$ 42,501,982	\$ 84,688	1.2%	\$ 3,605				
2008	\$ 27,460,783	\$ 3,165,820	\$ 978,046	\$ 10,508,638	\$ 42,113,287	\$ 79,123	1.4%	\$ 3,563				
2007	\$ 28,341,971	\$ 3,567,820	\$ 525,899	\$ 11,280,327	\$ 43,716,017	\$ 78,191	1.4%	\$ 3,659				
2006	\$ 20,966,951	\$ 3,969,820	\$ 591,024	\$ 12,049,089	\$ 37,576,884	\$ 76,741	1.2%	\$ 3,167				
2005	\$ 7,060,912	\$ 4,371,820	\$ 653,906	\$ 12,791,016	\$ 24,877,654	\$ 71,435	0.9%	\$ 2,115				
2004	\$ 7,645,953	\$ 4,811,338	\$ -	\$ 13,506,624	\$ 25,963,915	\$ 70,476	1.0%	\$ 2,219				
2003	\$ 8,189,853	\$ 5,250,856	\$ -	\$ 14,131,490	\$ 27,572,199	\$ 67,664	1.1%	\$ 2,398				
2002	\$ 8,455,597	\$ 5,690,374	\$ -	\$ 14,779,335	\$ 28,925,306	\$ 66,985	1.2%	\$ 2,515				

N/A - This information is not available.

Table 10

*City of Poquoson, Virginia*

***Ratio of Net General Bonded Debt to Assessed***

Fiscal Year	Last Ten Fiscal Years		Assessed Value	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	
	Population (1)				Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011	12,150		\$ 1,728,246,736	\$ 30,490,882	1.76%	\$ 2,510
2010	11,881		\$ 1,719,852,121	\$ 31,367,902	1.82%	\$ 2,640
2009	11,791		\$ 1,698,795,508	\$ 32,705,075	1.93%	\$ 2,774
2008	11,818		\$ 1,678,329,182	\$ 31,604,649	1.88%	\$ 2,674
2007	11,948		\$ 1,637,487,196	\$ 32,435,690	1.98%	\$ 2,715
2006	11,865		\$ 1,037,303,141	\$ 11,027,795	1.06%	\$ 929
2005	11,764		\$ 1,015,002,306	\$ 12,086,638	1.19%	\$ 1,027
2004	11,700		\$ 847,283,735	\$ 12,457,291	1.47%	\$ 1,065
2003	11,500		\$ 827,604,136	\$ 13,440,709	1.62%	\$ 1,169
2002	11,500		\$ 749,021,297	\$ 14,145,971	1.89%	\$ 1,230

Source: (1) Weldon Cooper Center for Public Service.

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

**Demographic Statistics**

**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2) (in millions)</u>	<u>Per Capita Personal Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate</u>	
2011	12,150	N/A	N/A	2,231	5.7%	(5)
2010	11,881	N/A	N/A	2,390	6.0%	(5)
2009	11,791	\$ 3,456	\$ 47,380	2,531	5.4%	(4)
2008	11,818	\$ 3,429	\$ 46,844	2,478	3.7%	(4)
2007	11,948	\$ 3,222	\$ 44,148	2,583	2.3%	(5)
2006	11,865	\$ 3,061	\$ 42,146	2,572	2.3%	(5)
2005	11,764	\$ 2,868	\$ 39,603	2,563	2.8%	(5)
2004	11,700	\$ 2,603	\$ 35,917	2,503	3.0%	(5)
2003	11,500	\$ 2,444	\$ 34,029	2,503	3.1%	(5)
2002	11,500	\$ 2,316	\$ 32,685	2,492	2.7%	(5)

N/A - This information is not available.

Source: Weldon Cooper Center for Public Service.  
 Bureau of Economic Analysis combined amount for York County/Poquoson.  
 Poquoson School Board. Data is September enrollment for each fiscal year.  
 Virginia Economic Development Partnership.  
 Virginia Employment Commission.

**Principal Employers in Poquoson - 2011 and Nine Years Ago**

Employment	2011		2002	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	310	9.39%	313	13.81%
City of Poquoson	134	4.06%	128	5.65%
Farm Fresh	72	2.18%	90	3.97%
Food Lion	60	1.82%	60	2.65%
McDonald's Restaurant	55	1.67%	55	2.43%
Unity Business Systems	35	1.06%	N/A	N/A
Taylor Do-It Center	16	0.48%	N/A	N/A
Dominion Village at Poquoson	42	1.27%	42	1.85%
Stephen's Office Supply	23	0.70%	26	1.15%
	<b>747</b>	<b>22.63%</b>	<b>714</b>	<b>31.51%</b>

N/A - This information is not available.

Source: City of Poquoson Economic Development Department.

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

Last Ten Fiscal Years	Full-time Equivalent Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Function / Program										
General government:										
Management services	12.20	12.20	14.20	14.20	14.20	12.60	12.00	11.50	10.50	9.70
Finance	8.00	8.00	8.00	8.00	8.00	8.00	7.50	7.20	7.20	7.20
Planning	4.35	4.45	5.45	5.45	5.45	5.45	3.60	3.60	3.70	3.70
Building	3.75	3.00	4.00	4.00	4.00	4.00	3.10	2.10	2.25	2.50
Other	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.00	2.00
Police:										
Officers	22.50	22.50	22.50	22.50	22.50	22.50	20.50	20.50	20.90	20.90
Civilians	1.00	1.00	2.00	6.50	6.50	6.50	6.50	6.10	5.75	5.75
Fire:										
Firefighters and officers	29.00	29.00	29.00	29.00	28.00	26.00	26.00	26.00	26.00	22.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Refuse collection	1.00	1.00	2.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00
Other public works:	16.50	16.50	15.50	15.00	14.50	14.50	14.50	14.50	14.50	14.50
Engineering	1.00	1.00	1.00	1.00	1.00	1.00	2.85	2.85	2.75	2.75
Other	2.00	2.00	3.00	3.00	2.40	2.00	2.00	2.10	2.10	2.10
Fleet	3.50	3.50	4.50	4.50	4.50	4.60	4.60	4.75	5.00	5.00
Parks and recreation	9.80	9.80	13.55	13.50	13.50	15.70	13.50	13.50	14.00	14.00
Library	11.95	11.95	11.95	11.45	11.45	11.45	10.45	10.45	10.45	9.95
Wastewater	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50
Total	133.65	133.00	143.75	148.20	146.10	144.40	137.20	134.75	134.60	128.55

Source: Finance Department.

**Operating Indicators by Function / Program**

Function / Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Last Ten Fiscal Years</b>										
Police (1)										
Physical arrests	259	335	362	109	294	326	344	245	316	300
Parking violations	39	34	29	9	71	32	87	37	78	172
Traffic violations	957	915	979	911	1,014	784	631	468	701	929
Fire (2)										
Emergency responses	1,827	1,870	1,574	1,362	1,687	1,466	1,194	1,106	1,127	1,055
Fires extinguished	51	79	44	38	35	52	85	180	76	85
Inspections	290	233	56	31	41	23	12	12	12	12
Refuse collection (3)										
Refuse collected (tons)	2,241	2,560	2,524	2,160	1,663	1,603	1,610	1,604	1,646	1,550
Recyclables collected (tons)	1,390	1,418	2,482	1,490	1,445	1,484	1,312	1,578	1,396	1,174
Other public works (3)										
Street resurfacing (tons)	2,645	2,481	3,315	3,910	4,943	3,620	3,019	2,737	2,536	3,409
Library (4)										
Volumes in collection	58,203	59,217	60,180	58,266	58,401	57,196	53,856	52,644	51,684	50,755
Total volumes borrowed	197,967	209,768	216,065	208,534	193,354	190,000	181,360	179,276	197,299	189,127
Wastewater (5)										
Sewer connections	4,805	4,803	4,876	4,871	4,790	4,649	4,544	4,494	4,440	4,200

N/A - This information is not available.

Source: (1) City of Poquoson Police Department.

(2) City of Poquoson Fire Department.

(3) City of Poquoson Public Works Department.

(4) City of Poquoson Library.

(5) City of Poquoson Finance Department.

**Capital Asset Statistics by Function/Program**

Last Ten Fiscal Years		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police (1)											
Stations		1	1	1	1	1	1	1	1	1	1
Patrol units		24	23	23	23	23	23	21	21	20.9	21
Fire stations (2)		2	2	2	2	2	2	2	2	2	2
Refuse collection (3)											
Collection trucks		0	0	0	3	3	3	3	3	3	3
Other public works (3)											
Street (miles)		55.4	55.4	54.6	53.16	53.16	53.16	52.88	51.95	51.76	51.76
Streetlights		574	574	574	561	546	542	507	502	495	477
Traffic signals		4	4	4	4	4	3	3	3	3	3
Park and recreation (4)											
Acreage		48	48	48	48	46	39	38	31	31	31
Playgrounds		3	3	3	3	4	3	3	2	2	2
Baseball / softball diam		6	6	6	6	5	3	3	3	3	3
Soccer / football fields		6	6	6	6	5	5	5	5	5	5
Community centers		1	1	1	1	1	1	1	1	1	1
Wastewater (5)											
Sanitary sewers (miles)		64	64	64	64	64	64	64	63	54	54
Storm sewers (miles)		34(*)	34(*)	32(*)	16	16	16	15	14	13	12

(\*) Includes driveway pipes not available in previous years.

Source: (1) City of Poquoson Police Department .

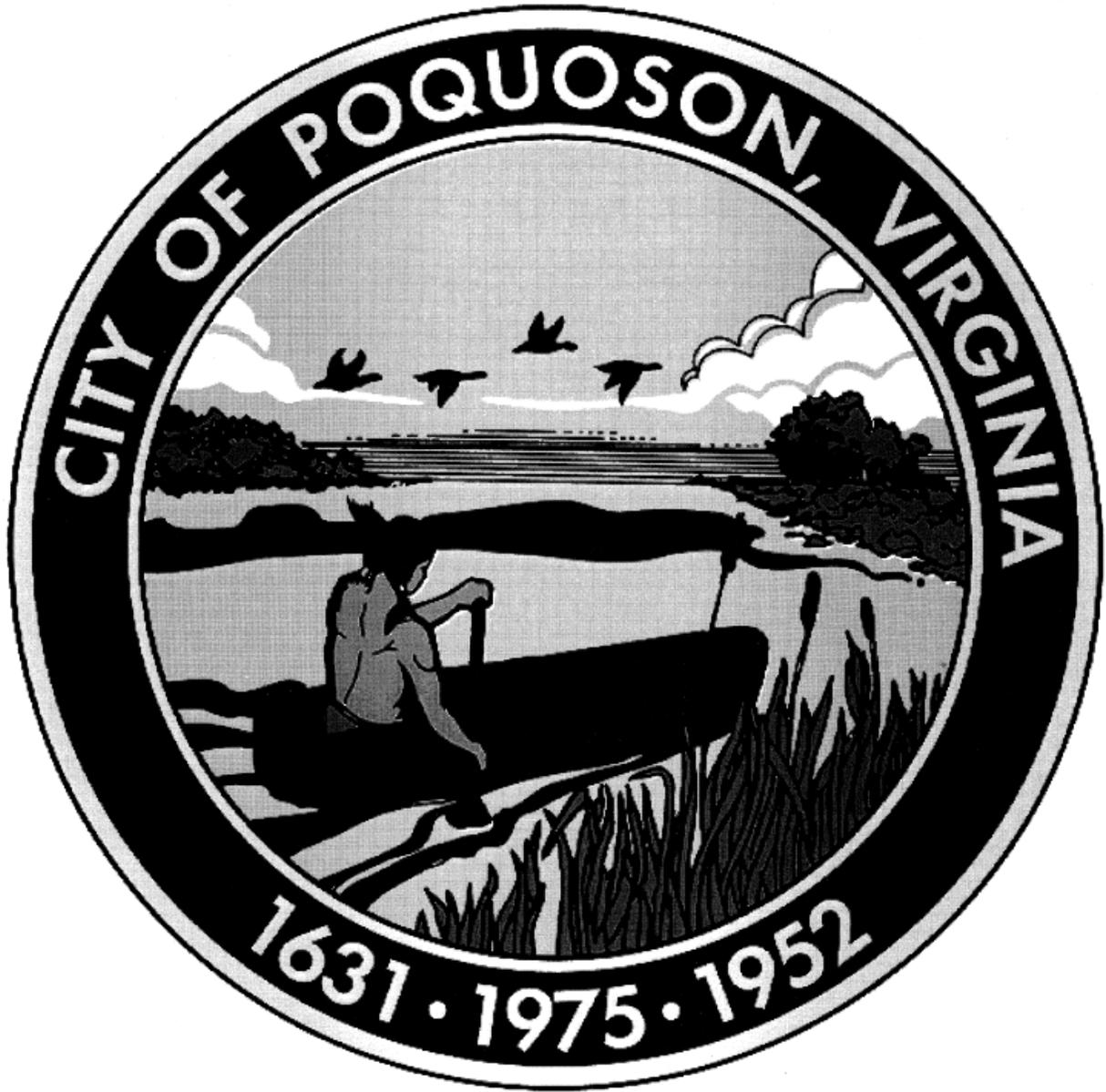
(2) City of Poquoson Fire Department.

(3) City of Poquoson Public Works Department.

(4) City of Poquoson Parks and Recreation Department.

(5) City of Poquoson Utilities Department.

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*Compliance Section*

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Poquoson, Virginia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City in a separate letter dated November 29, 2011.

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

A handwritten signature in black ink that reads "Cheryl A. Schmitt" followed by a stylized flourish and "Hollmann, LLP".

Virginia Beach, Virginia  
November 29, 2011



***Report on Compliance With Requirements  
That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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

***Compliance***

We have audited the compliance of 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* could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

***Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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 "Cheryl A. Schmitt" followed by a stylized flourish and the text "Hollmann, LLP".

Virginia Beach, Virginia  
November 29, 2011

Schedule of Expenditures of Federal Awards

June 30, 2011

Federal granting agency / recipient state agency Grant program/grant number	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Pass through payments:		
Department of Agriculture and Consumer Services:		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	23,905
National School Lunch Program	10.555	122,173
		\$ 146,078
<b>U.S. Department of Transportation</b>		
Pass through payments:		
Department of Motor Vehicles:		
Alcohol Traffic Safety and Drunk Driving		
Prevention Incentive	20.607	20,743
Virginia Department of Transportation:		
ARRA - Highway Planning and Construction	20.205	210,538
<b>U.S. Department of Education</b>		
Direct payments:		
Impact Aid	84.041	174,986
Foreign Language Grant	84.293	64,717
Pass through payments:		
Virginia Department of Education:		
Title I: Grants to local educational agencies	84.010	43,571
Title II: Improving teacher quality state grants	84.367	53,751
Title IID: Technology	84.282	2,076
Special Education (IDEA) Cluster:		
Title VI-B: Assistance to states for education		
of handicapped children:		
Special Education Grants	84.027	174,884
ARRA - Special Education Grants, Part B, Section 611	84.391A	225,162
ARRA - Special Education Preschool Grants, Part B, Section 619	84.392A	7,581
Preschool Handicapped	84.173	22,416
Vocational education-basic grants to states	84.048	17,492
State and Drug-free Schools and Communities	84.186	780
ARRA - State Fiscal Stabilization Funds	84.394A	216,051
<b>U.S. Department of Justice</b>		
Pass through payments:		
Virginia Department of Criminal Justice:		
Byrne Justice Assistance Grant	16.738	7,221
<b>U.S. Department of Homeland Security</b>		
Pass through payments:		
Virginia Department of Emergency Management:		
FEMA Public Assistance	97.036	1,709
Local Emergency Management Performance Grant	97.042	5,000
2008 State Homeland Security Program	97.073	3,400
2009 State Homeland Security Program	97.071	13,000
2010 Port Security Grant	97.056	61,659
<b>U.S. Department of the Interior</b>		
Direct payments:		
Plum Tree Island Refuge	15.611	2,343
		<u>\$ 1,475,158</u>

*City of Poquoson, Virginia*

*Notes to Schedule of Expenditures of Federal Awards*

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**Year Ended June 30, 2011**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Poquoson and is presented on the modified accrual basis of accounting. The City's reporting entity is defined in Note 1 to the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**2. Food Distribution**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the food service organization had food commodities totaling \$18,085 in inventory.

*City of Poquoson, Virginia*

***Schedule of Findings and Questioned Costs***

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**Year Ended June 30, 2011**

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**1.1. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

The type of report issued on the financial statements: **Unqualified opinions**

Internal control over financial reporting:

Material weaknesses identified: **No**

Significant deficiencies identified: **None reported**

Noncompliance which is material to the financial statements: **No**

**Federal Awards:**

The type of report issued on compliance for major programs: **Unqualified opinion**

Internal control over financial reporting:

Material weaknesses identified: **No**

Significant deficiencies identified: **None reported**

Any audit findings disclosed that are required to be reported in  
Accordance with Section 510(a) of OMB Circular A-133: **No**

Major Programs:

- Special Education Grants (CFDA No. 84.027, 84.173, 84.391A)
- State Fiscal Stabilization Funds - ARRA (CFDA No. 84.394A)

The dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

The auditee qualified as a low-risk auditee: **Yes**

*City of Poquoson, Virginia*

*Schedule of Findings and Questioned Costs (Continued)*

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**Year Ended June 30, 2011**

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- 2. FINDINGS - FINANCIAL STATEMENT AUDIT - None**
- 3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS - None**
- 4. FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE - None**

*City of Poquoson, Virginia*

***Summary Schedule of Prior Year Findings***

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**Year Ended June 30, 2011**

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**2010-1 Record-keeping of Highway Maintenance Expenditures**

***Criteria:***

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

***Condition:***

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

***Resolution:***

Specific street addresses and locations are recorded for all highway maintenance work performed by the City.

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