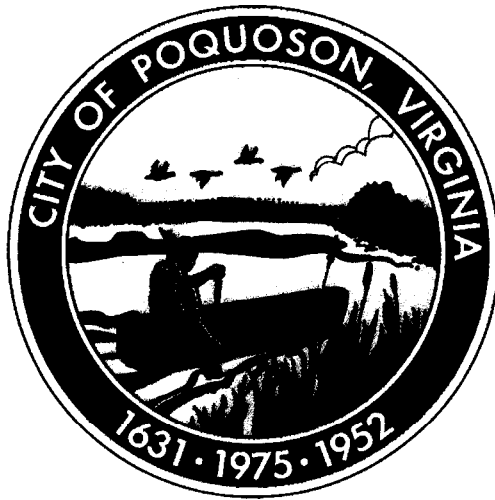


COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF POQUOSON, VIRGINIA



Fiscal Year Ended June 30, 2000

Prepared by:

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

C/N OF POQUOSON, VIRGINIA

CITY COUNCIL

Gordon C. Helsel, Jr., Mayor
Roger N. Messier, Vice Mayor
Claude J. Carr, Jr.
Christopher E. Claud
Herbert R. Green, Jr.
Arthur V. Holloway, Jr.
W. Eugene Hunt, Jr.

CITY OFFICIALS

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

SCHOOL BOARD

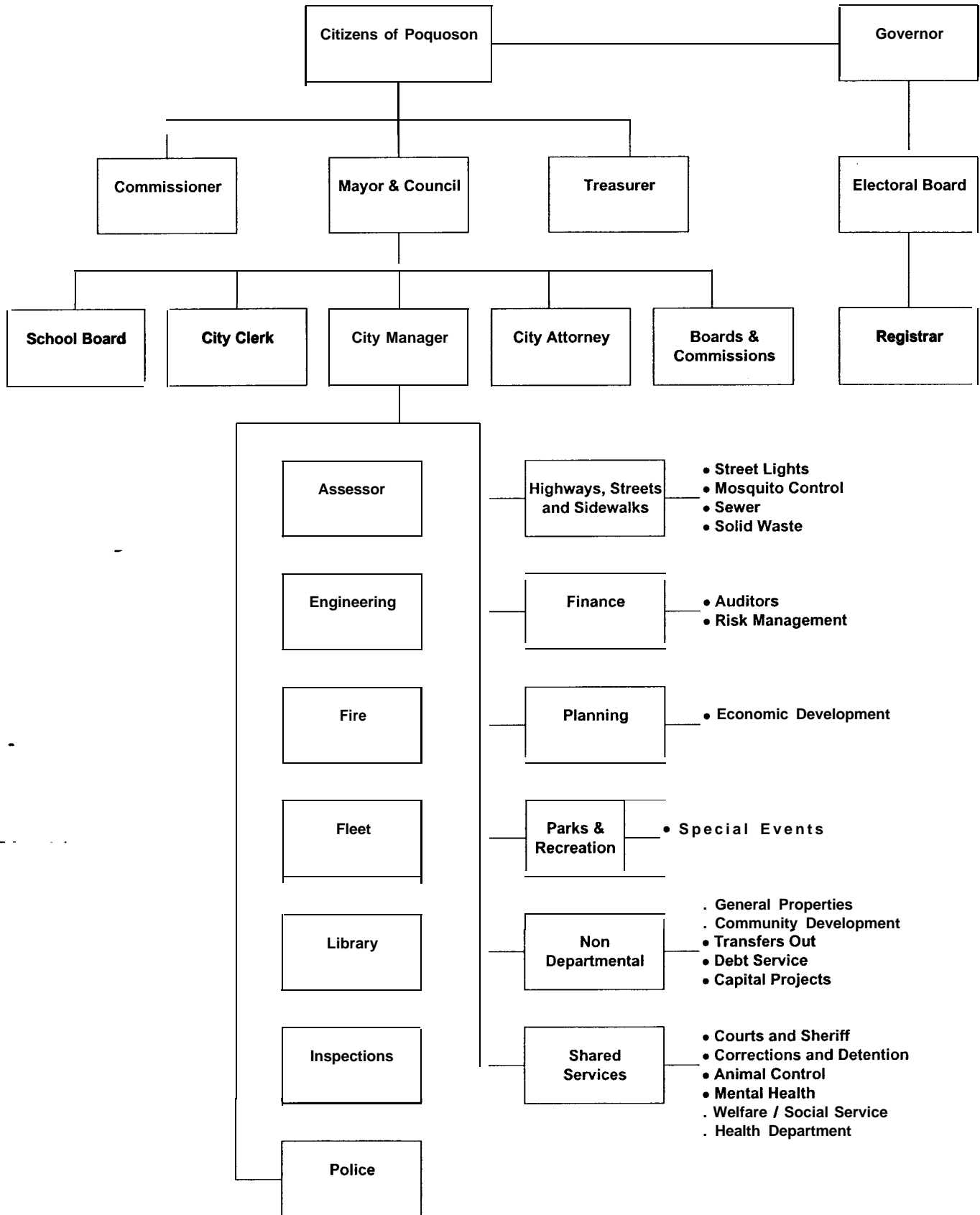
Frank A. Kreiger, Chairman
Milton M. Katz, Vice Chairman
D. Scott Bunting
S. Michael Evans
Carey L. Freeman
Charles French
James French
Janet A. Brown, Clerk of the School Board

SCHOOL OFFICIALS

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

CITY OF POQUOSON, VIRGINIA

CITY GOVERNMENT ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Poquoson,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

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.



Anne Spray Kinney

President

Jeffrey L. Eselle

Executive Director

CITY OF POQUOSON, VIRGINIA

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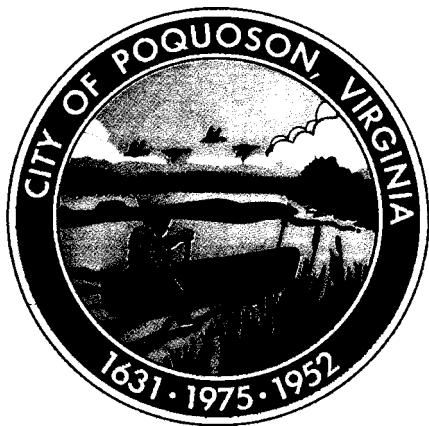
CITY OF POQUOSON, VIRGINIA

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City of Poquoson, Virginia

500 City Hall Avenue
Poquoson, Virginia 23662



- Introduction
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- Financial Overview
- Debt Administration
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Introduction

November 17, 2000

Honorable Mayor and City Council of Poquoson, Virginia:

The Comprehensive Annual Financial Report of the City of Poquoson (the "City") for the fiscal year ended June 30, 2000, is hereby submitted in accordance with Article V, Section 11 of the Poquoson City Charter.

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart, a list of the City of Poquoson's principal officials, and the prior year's Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the general purpose financial statements and the combining and individual fund and account group fi-

FISCAL YEAR JULY 1, 1999 - JUNE 30, 2000

Letter of Transmittal

financial statements and schedules, as well as the independent auditors' report on the financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

The City of Poquoson is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The compliance section contains the schedule of expenditures of federal awards and the independent auditors' reports on internal control and compliance with requirements applicable to grants.

Financial Reporting Entity and Its Structure

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

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

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

Fund Types and Account Groups

General
Debt Service
Capital Projects
Enterprise
Internal Service
Fiduciary Fund
General Fixed Assets
General Long-Term Obligations

Other Entities

Poquoson School Board
Industrial Development Authority (IDA)

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

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

Government Structure

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

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

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

local Economic Condition and Outlook

The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27th largest metropolitan statistical area in the country. Poquoson is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the regions highest median income. The married couple median adjusted gross income was \$56,993 for 1997 (latest available data). Hampton Roads economy has been strong for several years and has had a low unemployment rate. In 1999, the community had a

2.2% unemployment rate (latest available data) as compared to a state-wide rate of 2.8% and a national average of 4.2%. The civilian labor force was 6,094 in 1999.

The City remains fiscally sound. Key economic indicators remain fairly consistent or reflect favorable changes. The 1990 Census population of 11,005 reflects growth of 26% since the 1980 Census. The Virginia Employment Commission projects that the City will have 11,902 citizens in Year 2000. The 2000 Census has not been completed.

Demographics

- Low 2.2% Unemployment
- High Median Income
- Steady Population Growth
- Residential Nature
- Dependent on General Property Taxes

1999 taxable sales of \$31,361,000 were up 16.2% from the 1998 level. The increase indicates an improvement in the retail and food industry.

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

In excess of 80.2% of our local resources come from general property taxes when the norm for Virginia cities is 53.0%. Commercial property accounts for only 5.6% of total real estate.

The largest source of revenue to the City comes from the real estate tax revenue. Poquoson's real property tax rate for FY 2000 was \$1.12 per \$100 of assessed value. Poquoson has not increased the real estate tax rate since FY 1995, but has had increases in real estate tax revenue, primarily due to increased assessments and growth of new buildings in the City. In the past 5 years assessments on housing and commercial property, including tax exempt property, has increased by 24.8%. Total real property assessments at June 30, 2000 were \$696,175,556.

The biggest financial challenge to the City is to develop the business tax base in order to take some of the burden off residents, but progress has been slow. In 1996, the City embarked on a program of economic development in an undeveloped area called the "Big Woods" with the long-term goal of expanding the commercial tax base. This program included rezoning the area commercial, locating the new City Hall and Library in the center of this area, and extending water, sewer, electricity, gas, cable, telephone line, roads and parking to this area. While build out of this commercial area may take many years, FY 2000 was encouraging as several businesses applied for building permits in the Big Woods area. The newly formed IDA has also given priority to development of

the Big Woods area and has undertaken several projects to spur development in this area.

Personal property tax revenue is the second largest source of revenue in the City. The assessments in personal property have increased to \$71,338,462, up 30.4% in the past 5 years. Effective January 1, 1999 the State implemented the Personal Property Tax Relief Act (PPTRA). Citizens owning vehicles valued at more than \$1,000 pay a portion of the total bill. The remaining amount is reimbursed to the City by the State. For vehicles valued at \$1,000 or less the taxpayer pays nothing and the State reimburses the City for the entire amount.

**General Property
Taxes Largest
Sources of Revenue**

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

Major Initiatives and Accomplishments

In FY 2000, the City celebrated its 25th anniversary as a City. A big celebration was held in June 2000. Poquoson which had been a part of York County for 3 centuries, became an Independent Town in 1952 and was chartered as a City in 1975.

The Capital Improvement Plan (CIP) has been updated for the past two years and has helped to guide the City for major capital initiatives. The City Council also has recently adopted the Comprehensive Plan. This document addresses ways Poquoson will sustain itself as it heads into the 21st century. It provides strategies for preserving property rights and developing land use policies, providing governmental services and facilities, encouraging economic development, and transportation needs of the City. The CIP, in combination with the Comprehensive Plan, should assist with determining and balancing long-term needs, setting priorities, and anticipating capital problems.

For the Year:

The biggest initiative of the City of Poquoson during FY 2000 was managing the construction of the sewer extension. The project will extend sewer to approximately 560 households and will result in sewer being available to all existing households on public rights-of-way in the City. During FY 2000 much of the construction of the sewer line was laid. Building new pump stations will continue into FY 2001.

In May 2000 the City received \$10,000,000 permanent financing for the project from the Virginia Resources Authority after approval from the Department of Environmental Quality (DEQ) in the form of a 3.5% interest loan. This permanent financing paid off a \$9,000,000 bridge loan that was issued on November 10, 1999. The DEQ program provides

low interest loans to municipalities in order to improve their wastewater collection or treatment system. In order to qualify for the DEQ loans the City had to address many environmental issues. The main concern from citizens was that the sewer extension would increase development in the City, which could potentially have an adverse effect on the environment. As a result of these public concerns, the City has amended several ordinances to make sure that environmental aspects of future development are adequately addressed as required by the Chesapeake Bay Preservation Ordinance.

Major Initiatives

- Sewer Extension
- Finished PHS addition/renovation
- Renovated Police Station and Community Center

The City also funded other capital improvements during the year with a transfer to the Capital Projects Fund in the amount of \$515,099. The funding from the General Fund provided funds for roads, school construction, construction on a new fire station, and vehicle replacement in the City. The City also funded the projects of the newly formed IDA.

During FY 2000 the City started construction on the Poquoson Fire Station #2. This 3-bay brick station is located in the Western part of the City and is expected to be completed by December 2000. Historically the Poquoson Fire Station #1 served the entire City. The second station will improve response time in the Western residential and commercial district of the City.

In addition to normal paving and drainage projects, the City essentially completed the widening project of the north end of Wythe Creek Road, which is one of the primary roads in the City of Poquoson. The Virginia Department of Transportation is paying for 98% of the cost of the project with Poquoson paying for 2% of the project. Sewer betterments are also being paid for out of the road widening project.

The Schools completed construction on the Primary School infill project. The project took a courtyard and converted it to three additional classrooms. Two of the classrooms are used for the preschool handicapped program.

The City replaced two major computer systems during FY 2000. The MUNIS financial hardware and software system was replaced with a BAI financial system in November 1999. Applications of the new system include general ledger, budget payables, payroll, personnel, utility billing, cash collections, various tax assessments and building inspections. This took a tremendous effort on the financial staff to convert data, train and implement use of the new system. The Library also upgraded their library automation system.

The IDA was formed in FY 2000. This body is responsible for promoting industry and developing trade by inducing private enterprises to remain in or relocate to the City. The IDA had several initiatives during the year, including purchase of land and buildings and opening up a new road in a commercial development site.

For the Future

In 1998 the U.S. Army Corps of Engineers completed a Navigations Study on Messick Point. The report included a Feasibility Report on the best solution to navigational difficulties in that area. To improve navigation the City and Army Corps of Engineers will dredge a channel from the main Back River channel to Messick Point. The project will include a turning basin. In conjunction with the dredging project, the City plans to replace the Messick Point pier.

Once the Fire Station #2 is complete, the City would like to start two other fire station department initiatives. One initiative is to purchase a new fire pumper with an aerial ladder, which should cost around \$600,000. Another initiative is to begin design on renovations to Fire Station #1.

City Council has established a School Task Force to study the capital needs of the schools. The Task Force consists of one member of the Planning Commission, one member of the School Board, one member of City Council and 7 citizens. The School Task Force is looking at needed building improvements and the building of new schools. These needed school projects could cost up to \$30,000,000 and would require debt issuances to pay for them. Because of the significance in planning for these projects, it is not expected that design will begin until FY 2003.

Departmental and Service Accomplishments

The City accomplished many significant goals in FY 2000. In conjunction with installing a new financial computer system, several departments increased their online capabilities with the State Department of Taxation and Department of Motor Vehicles. The City expanded its computer capability by installing several smaller pier-to-pier networks in several decentralized City locations. The Police Department continued emergency medical training for police officers as they are often the first responders in accidents. The Parks and Recreation Department opened a Teen Center Coffee House and offered more public entertainment events during FY 2000.

Major Initiatives

- **Widening of Wythe Creek Road**
- **Sewer Extension**

The Library sponsored a number of special programs and had 12,562 patrons, a record number. The Planning Department revised a number of ordinances to bring the City in compliance with the Chesapeake Bay Preservation program.

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

For The Future

- 25th Anniversary Celebration
- Primary School Infill
- Computer Systems Replacement
- Messick Point Dredging

Financial Overview

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

Single Audit:

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

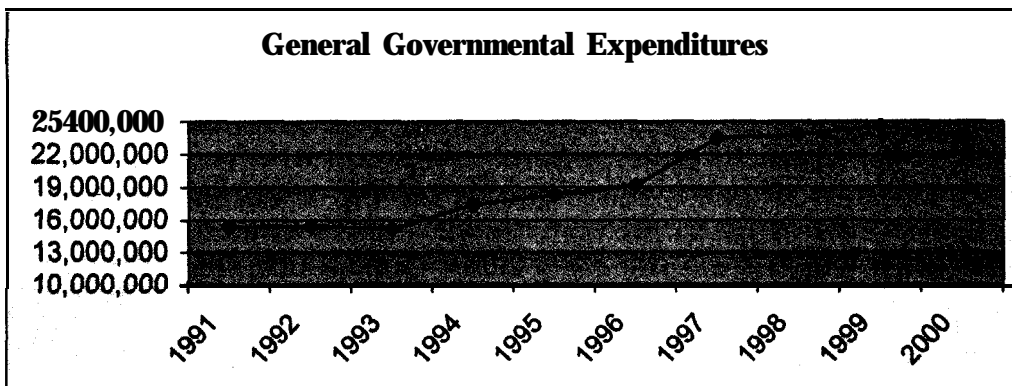
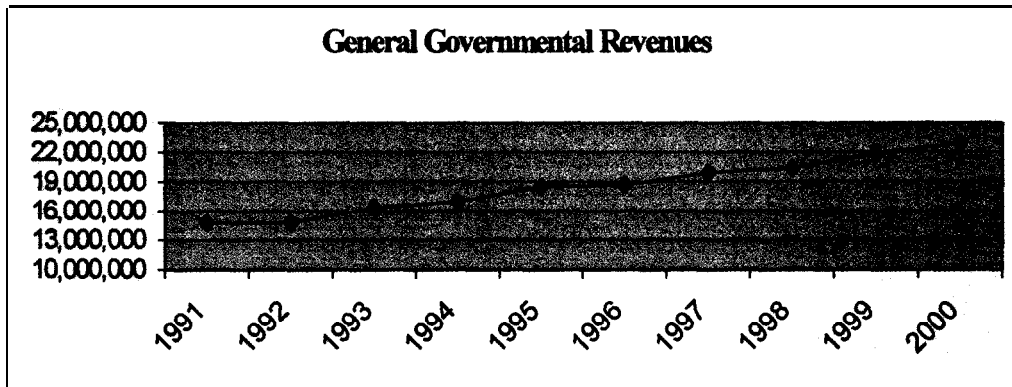
As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal controls including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City single audit for the fiscal year ended June 30, 2000, indicated no instances of material weaknesses in internal controls or significant violations of applicable laws and regulations.

Budgetary Controls:

In addition to internal controls, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal

provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total expenditure level of each department. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and therefore do not lapse after year-end.

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

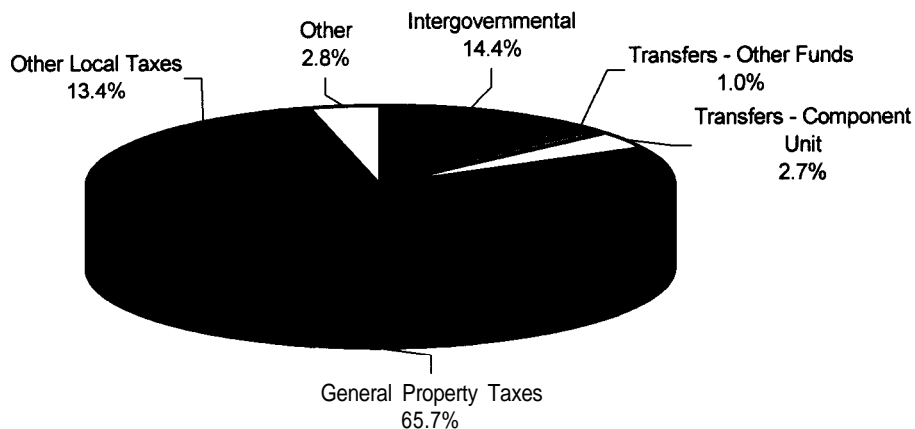


Amounts include general, special revenue (school), debt service and capital project funds.

LETTER OF TRANSMITTAL

	June 30, 2000	Percent	June 30, 1999	Increase (Decrease)	Percent of Increase
General Property Taxes	\$9,247,685	65.7 %	\$9,364,276	\$(1 16,591)	(1.2%)
Other Local Taxes	1,890,427	13.4	1,825,575	64,852	3.6
Permits, Licenses & Fees	100,194	0.7	107,561	(7,367)	(6.8)
Fines & Forfeitures	35,957	0.2	36,062	(105)	(0.3)
Interest & Rent	208,543	1.5	290,787	(82,244)	(28.3)
Charges For Service	28,360	0.2	27,891	469	1.7
Intergovernmental	2,030,440	14.4	1,430,705	599,735	41.9
Miscellaneous	22,710	0.2	78,002	(55,292)	(70.9)
Transfers - Other Funds	140,000	1.0	544,820	(404,820)	(74.3)
Transfers - Component Unit	375,190	2.7	489,166	(113,976)	(23.3)
TOTAL	\$14,079,506	100.0%	\$14,194,845	\$(1 15,339)	0.8%

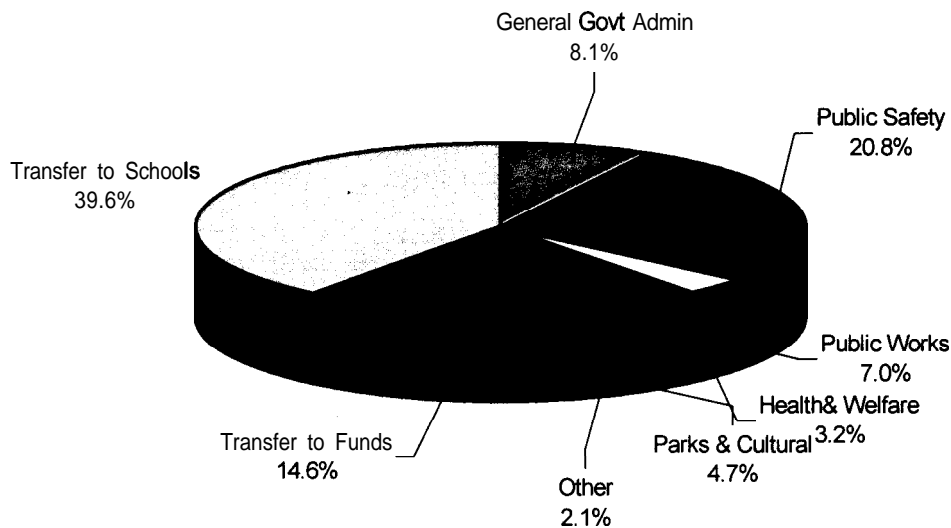
General Fund
Sources of Revenue
FY 2000



LETTER OF TRANSMITTAL

Expenditures &	June 30, 2000	Percent	June 30, 1999	Increase (Decrease)	Percent of Increase
General Government Admin	\$ 1,149,086	8.1 %	\$1,059,567	\$ 89,519	8.4 %
Public Safety	2,943,894	20.8	2,708,722	235,172	8.7
Public Works	983,878	7.0	868,873	115,005	13.2
Health & Welfare	448,376	3.2	440,107	8,269	1.9
Parks, Recreation & Cultural	663,220	4.7	637,317	25,903	4.1
Community Development	262,813	1.9	244,481	18,332	7.5
Nondepartmental	44,668	0.3	45,541	(873)	(1.9)
Transfers - Debt Service	1,413,473	10.0	1,229,924	183,549	14.9
Transfers - Capital Projects	515,099	3.6	471,373	43,726	9.3
Transfers - Other Funds	134,000	0.9	139,160	(5,160)	(3.7)
Transfers - Component Unit	5,596,537	39.5	5,437,111	159,426	2.9
TOTAL	\$14,155,044	100.0 %	\$13,282,176	\$ 872,868	6.6 %

General Fund
Expenditures By Category
FY 2000



General Government Functions:

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

General Fund revenues and transfers in for the fiscal year ended June 30, 2000 totaled \$14,079,506, a decrease of \$115,339, or .8%.

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

**General Fund
Revenue**

• **\$14,079,506**

	<u>FY 2000</u>	<u>FY 1999</u>
Real estate	\$7,224,688	\$7,093,100
Public service	165,801	142,987
Personal property	1,735,218	2,017,181
Penalties & interest	<u>121,978</u>	<u>111,008</u>
	<u>\$9,247,685</u>	<u>\$9,364,276</u>

Real estate tax revenue increased 1.9% or \$131,588 due to growth in the City. The City assesses biennially and FY 2000 was not a reassessment year.

Personal property revenue decreased 14.0%, or \$281,963. While assessments on personal property continued to increase, the Personal Property Tax Relief Act (PPTRA) was implemented in January 1999. This shifted \$667,497 and \$246,210 from personal property taxes to State non-categorical aid in FY 2000 and FY 1999, respectively. The State PPTRA was enacted to give citizens a tax break on their personal property tax. The State's plan reduced the amount of personal property tax by 27.5% and 47.5% in calendar years 1999 and 2000, respectfully.

Although general property taxes decreased due to PPTRA, State non-categorical aid increased. Overall the combined personal property taxes and State non-categorical aid from PPTRA revenue increased by 6.2%, or \$139,324 due to increase in assessments.

	<u>FY 2000</u>	<u>FY 1999</u>
Personal Property Tax	\$1,735,218	\$2,017,181
PPTRA	<u>667,497</u>	<u>246,210</u>
	<u>\$2,402,715</u>	<u>\$2,263,391</u>

Other local taxes had a 3.6% increase over the prior year. This is attributed to a strong economy and growth in businesses in the City. The City saw increases in sales and use taxes, meals taxes, consumer utility taxes, and business license tax.

Building permits decreased by 6.8% over prior year. FY 1999 had a large subdivision, which brought a larger amount of permit revenue that year.

Fines and forfeitures decreased by 0.3%. This account does not normally vary significantly.

Interest and rent decreased by 28.3%, or \$82,244 in FY 2000. While interest rates improved in FY 2000, the City's cash balance was depleted by \$1.2 million causing a decrease in interest revenue.

Charges for services increased by 1.7% or \$469 and are primarily related to copying and other charges at the Library.

Intergovernmental increased by 41.9% or \$599,735. Much of the increase came from enactment of PPTRA.

Miscellaneous revenue decreased by 70.9% or \$55,292 mainly due to moving festivals out of the General Fund and recording festival activity in the Parks and Recreation Enterprise Fund.

The decrease in operating transfers by 74.3%, or \$404,820 is primarily due to Capital Projects paying back the General Fund for money that had been spent on the Poquoson Primary School desiccant wheel in FY 1999.

Transfers from the school component unit decreased by 23.3% or \$113,976. This transfer represents unspent School funds at year-end and additional State money that was transferred to the City for school construction property. In FY 1999, the Schools received \$273,230 in State construction funds and \$159,399 in lottery funds. These were new funds that were made available due to a State surplus and were used for school debt service and school construction projects. In FY 2000, the Schools received \$271,470 in State construction funds and \$155,847 in lottery funds; however, the lottery funds were recorded in the Capital Projects Fund. The Schools are required to return unspent School funds at year-end to the City. The Schools returned \$103,720 and \$56,537 to the City for FY 2000 and FY 1999, respectively.

**General Fund
Expenditures**

• **\$14,155,044**

The Expenditures and other uses in the General Fund totaled \$14,155,044 in FY 2000, an overall increase of \$872,868, or 6.6%.

General government administration increased by 8.4%, or \$89,519 due to higher contracted City Attorney services, increases in salaries, and additional costs for computer maintenance.

8.7%, or \$235,172 increase in public safety expenditures was mainly due to salary increases in fire and police, and one additional full time equivalent in the fire department. The fire department also had larger than normal capital purchases.

The 13.2% increase in public works was mainly due vacancies in positions in FY 1999 that were fully staffed in FY 2000.

Health and welfare expenses increased by 1.9% due to small increases in social service administration.

Parks, recreation and cultural expenses increased by 4.1% primarily due to normal salary increases.

Community development expenditures increased by 7.5%, or \$18,332. Increases were primarily related to the events of the 25th Anniversary Celebration as a City.

Nondepartmental expenditures experienced a 1.9% decrease. This was due to sending out fewer City newsletters in FY 2000.

Transfers to debt service increased by 14.9% in FY 2000 due to additional debt service on the Poquoson High School addition and renovation project.

The 9.3% or \$43,726 increase in transfers to Capital Projects is partially a result of the construction incurred on Fire Station #2 in FY 2000. Both years the Capital Projects Fund paid for the repair of the buildings, replacement of equipment and other property improvements as part of an effort to improve the condition of city assets.

The transfer to school operations continues to be the City's largest expenditure. The \$159,426 or 2.9% increase represents additional funds used by the Schools for operations.

General Fund Balance

The fund balance of the General Fund for the year ended June 30, 2000 was \$4,062,000, a decrease of \$75,538 or 1.8%. Undesignated fund balance of the General Fund for the year ended June 30, 2000, was \$3,957,859, a

decrease of 2.5% from the prior year. The undesignated fund balance provides the City with a fund balance that is the equivalent of approximately 102 working days of expenditures for the General Fund. The fund balance is used to meet emergencies, provide a source of cash flow in order to avoid short-term borrowing, generate interest on investments, and provide funds for capital and other one time needs.

Capital Projects Fund

The Capital Projects Fund accounts for acquisition or construction of major City and School capital facilities. In FY 2000 financing sources included a \$515,099 transfer from the General Fund and a \$155,847 transfer from the School component unit for state lottery funds that were used to partially fund the primary school addition of classrooms. Capital Projects revenues had \$225,469 in revenue from the State for highway projects and environmental grants.

Capital outlays in Capital Projects totaled \$1,414,003. The Capital Projects Fund transferred \$253,744 to the IDA component unit to pay for economic development projects undertaken by the IDA.

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

At the end of the fiscal year, completed projects, which should be capitalized, are transferred to the General Fixed Assets Account Group. Streets, sidewalks, curbs, gutters, parking lots, drainage systems, and lighting systems are infrastructures normally immovable and of value only to the governmental unit. Therefore, these items are not transferred to the General Fixed Assets Account Group. The \$192,754 fund balance in the Capital Projects Fund as of June 30, 2000 includes \$22,268 reserved for encumbrances and \$170,486 designated for future years' expenditures.

General Fixed Assets

The general fixed assets of the City are those assets used in the performance of general government functions and exclude the fixed assets of Enterprise and Internal Service Funds. As of June 30, 2000, the general fixed assets of the City amounted to \$11,372,355. The general fixed assets of the School's component unit amounted to \$19,442,393. These amounts represent the historical cost or estimated historical cost (if actual historical cost is not available), or in the case of gifts and contributions, the estimated fair market value at the time of the gift or contribution. Depreciation of general fixed assets is not recognized in the City's accounting system; however, the City does recognize depreciation on fixed assets of the Enterprise and Internal Service Funds.

Enterprise Operations

The City's enterprise operations are comprised of three separate and distinct activities: the Sewer Operations Fund, the Parks and Recreation Fund and the Solid Waste Fund.

The Sewer Operation Fund operates and maintains the City's sanitary sewer system. The City is in the process of extending sewer to the remaining sections of the City. To provide the necessary resources of the repayment of debt issued to make these improvements, the City charged users a sewer assessment of \$51 per household per quarter in FY 2000. Businesses paid \$51 plus \$1.25 per one hundred cubic feet of water used each quarter. These quarterly charges provided the Sewer Fund with \$795,768 in operating revenue during FY 2000. The Sewer Operation Fund had net income of \$35,326 during the year. Additional anticipated debt service has necessitated quarterly fees to be raised even higher in FY 2001.

The Parks and Recreation operations continue to provide quality recreational services to the community. In FY 2000 the Parks and Recreation Fund had a net loss of \$33,859. Part of the loss came from difficulties in breaking even at the City pool. Another problem related to bad weather at the annual Poquoson Seafood Festival, necessitating postponing the event to a later date. This fund is being monitored closely and user fees are constantly examined to ensure that deficits do not continue.

The Solid Waste Fund is supported by user fees and General Fund transfers to cover bulky item pickup. This fund accounts for the revenues and expenditures associated with the collection, disposal and/or recycling of household and municipal waste, bulky items and landscaping debris. The majority of revenues come from bag fees. The City uses a pay-by-the-bag program and sold bags for \$1.65 per bag in FY 2000. In FY 2000, net income was \$29,711. The accumulation of retained earnings in the Solid Waste Fund is intentional and will be used to replace trash and debris trucks.

Enterprise Operations

- Sewer Net Income \$35,326
- Parks and Recreation Net Loss \$(33,859)
- Solid Waste Net Income \$29,711

Debt Administration

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

Net Direct Tax Supported Debt—Including Enterprise Funds

	<u>FY 2000</u>	<u>FY 1999</u>
Net direct bonded debt	\$22,063,804	\$19,191,640
Ratio of outstanding direct debt to assessed value	3.01%	2.72%
Net debt per capita	\$2,005	\$1,744

Net Direct Tax Supported Debt-General Government Obligation

	<u>FY 2000</u>	<u>FY 1999</u>
Net direct bonded debt	\$13,818,890	\$14,631,049
Ratio of outstanding direct debt to assessed value	1.89%	2.08%
Net debt per capita	\$1,256	\$1,329

Total outstanding general obligation debt at June 30, 2000 was \$22,063,804, of which \$8,244,914 in bonds for the sewer system is considered to be self-supporting in the Sewer Operations Fund. The remainder of \$13,818,890 is considered to be net direct tax supported debt. Included in the total is \$7,192,080 in bonds and \$6,626,810 in State Literary Loan funds.

Cash Management

The primary government maintains one centralized bank account for the operation of all funds with the exception of the Sewer Fund, the Library Building Agency Fund, and the School component unit, which have separate accounts. All of the City's cash is deposited with the City Treasurer, an elected officer, who is responsible for investing all City funds. City cash is invested primarily in overnight repurchase agreements, the Local Government Investment Pool and other short-term investments permissible under the Virginia Public Investment Act. The amount of interest earned during the year by the General Fund was \$161,243. The City also has cash with the fiscal agent and restricted cash and investments that are monitored by the Finance Department and used for the payment of bond projects. At June 30, 2000, the various cash balances included cash on hand, investments and cash on deposit in banks in the amount of \$5,647,911.

Risk Management

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

Independent Audit

State statutes require an annual audit by independent certified public accountants. The City Charter requires an annual audit of the financial records to be performed by independent certified public accountants selected by the City Council. The firm of Goodman & Company, L.L.P. has been contracted to audit all of the fund accounts and records of the City. Their report for the year ended June 30, 2000 is included. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Standards were used by the auditors in conducting the engagement. The auditors' report on general-purpose financial statements and schedules is included in the financial section of this report. The auditors' reports, relating specifically to the single audit, are included in the compliance section.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its comprehensive annual financial report for the fiscal year ended June 30, 1999.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The government also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated May 12, 1999. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

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

Respectfully submitted,



Pamela A. Moon, CPA
Director of Finance



Charles W. Burgess, Jr.
City Manager

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Poquoson, Virginia

We have audited the accompanying general-purpose financial statements of the *City of Poquoson, Virginia* (the City) and the combining, individual fund, account group and component unit financial statements and schedules of the City, as of and for the year ended, June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and component unit for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund, individual account group and component unit financial statements and schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds, account groups and component units of the City, as of June 30, 2000, and the results of operations of such funds and the cash flows of the individual proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 13, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Goodman & Company, P.C.P.

~ Newport News, Virginia
October 13, 2000 (except for Note 19, as
to which the date is October 28, 2000)

GENERAL-PURPOSE FINANCIAL STATEMENTS

CIN OF POOUOSON, VIRGINIA

COMBINED BALANCE SHEET

ALL FUND NPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2000

ASSETS AND OTHER DEBITS	Governmental Fund Types		Proprietary Fund Types	
	General	Capital Projects	Enterprise	Internal Service
Cash and cash equivalents	\$ 3,630,646	\$ 347,759	\$ 1,319,093	\$ -
Property taxes receivable - net	599,309			
Utility taxes receivable	97,780			
Other receivables	21,328		248,485	
Notes receivable			129,093	
Due from other funds	5,451			
Due from component units	127,951			
Due from other governmental units	228,026	55,910		
Prepaid items	40,371		2,506	1,004
Inventory			9,773	20,746
Restricted assets - cash and cash equivalents			298,798	
Fixed assets - net of accumulated depreciation, if applicable			12,684,618	34,151
Other assets			43,144	
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$ 4,750,862	\$ 403,669	\$ 14,735,510	\$ 55,901
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities-				
Accounts payable and accrued liabilities	\$ 196,409	\$ 210,915	\$ 1,022,221	\$ 17,653
Accrued compensated absences			11,524	6,202
Due to other funds				5,451
Due to primary government				
Amounts held for others				
Deferred revenue	492,453			
General obligation bonds payable - current			168,700	
Early retirement liability				
General obligation bonds payable			8,076,214	
State Literary Fund loans payable				
Total liabilities	688,862	210,915	9,278,659	29,306
Fund equity and other credits				
Investment in general fixed assets				
Contributed capital			5,460,356	96,114
Retained earnings (deficit) - unreserved			(3,505)	(69,519)
Fund balances:				
Reserved for encumbrances	63,770	22,268		
Reserved for inventory				
Reserved for prepaid items	40,371			
Unreserved:				
Designated for fiscal year 2001 budget		170,486		
Undesignated	3,957,859			
Total fund equity and other credits	4,062,000	192,754	5,456,851	26,595
Total liabilities, fund equity and other credits	\$ 4,750,862	\$ 403,669	\$ 14,735,510	\$ 55,901

Fiduciary Fund Types	Account Groups		Total (Memorandum Only) Primary Government	Component Units		Total (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-term Obligations		School Board	Industrial Development Authority	
Agency						
\$ 51,615	\$ -	\$ -	\$ 5,349,113	\$ 1,628,833	\$ -	\$ 6,977,946
			599,309			599,309
			97,780			97,780
			269,813			269,813
			129,093			129,093
			5,451			5,451
			127,951			127,951
			283,936	461,020		744,956
			43,881			43,881
			30,519	7,877		38,396
			298,798			298,798
	11,372,355	-	24,091,124	19,442,393	263,228	43,796,745
			43,144			43,144
		14,006,593	14,006,593	682,733		14,689,326
\$ 51,615	\$ 11,372,355	\$ 14,006,593	\$ 45,376,505	\$ 22,222,856	\$ 263,228	\$ 67,862,589
\$ -	\$ -	\$ -	\$ 1,447,198	\$ 1,506,495	\$ 4,097	\$ 2,957,790
		187,703	205,429	67,612		273,041
			5,451			5,451
51,615			51,615	117,313	10,638	127,951
			492,453	251,732		303,347
			168,700	29,351		521,804
				615,121		168,700
		7,192,080	15,268,294			615,121
		6,626,810	6,626,810			15,268,294
51,615		14,006,593	24,265,950	2,587,624	14,735	6,626,810
	11,372,355	-	11,372,355	19,442,393		26,868,309
			5,556,470			30,814,748
			(73,024)		248,493	5,556,470
			86,038	156,138		175,469
			40,371	7,877		242,176
			170,486			7,877
			3,957,859	28,824		40,371
	11,372,355		21,110,555	19,635,232	248,493	170,486
\$ 51,615	\$ 11,372,355	\$ 14,006,593	\$ 45,376,505	\$ 22,222,856	\$ 263,228	\$ 67,862,589

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

CITY OF POQUOSON, VIRGINIA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

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

Year Ended June 30, 2000

	Governmental Fund Types			Total (Memorandum Only) Primary Government	Component Unit School Board	Total (Memorandum Only) Reporting Entity
	General	Debt Service	Capital Projects			
Revenue						
General property taxes	\$ 9,247,685	\$ -	\$ -	\$ 9,247,685	\$ -	\$ 9,247,685
Other local taxes	1,890,427			1,890,427		1,890,427
Permits, privilege fees and regulatory licenses	100,194			100,194		100,194
Fines and forfeitures	35,957			35,957		35,957
Revenue from use of money and property	208,543			208,543	231	208,774
Charges for services	28,360			28,360	331,026	359,386
Intergovernmental	2,020,440		225,469	2,255,909	8,694,717	10,950,626
Miscellaneous	22,710			22,710	128,965	151,675
Total revenue	13,564,316		225,469	13,789,785	9,154,939	22,944,724
Expenditures						
Current:						
General government and administration	1,149,086			1,149,086		1,149,086
Public safety	2,943,894			2,943,894		2,943,894
Public works	983,878			983,878		983,878
Health and welfare	448,376			448,376		448,376
Education					14,149,699	14,149,699
Parks, recreation and cultural	663,220			663,220		663,220
Community development	262,813			262,813		262,813
Nondepartmental	44,668			44,668		44,668
Capital outlays			1,414,003	1,414,003	57,532	1,471,535
Debt service:						
Principal retirement		812,159		812,159	15,623	827,782
Interest and fiscal changes		601,314		601,314	50,460	651,774
Total expenditures	6,495,935	1,413,473	1,414,003	9,323,411	14,273,314	23,596,725
Excess (deficiency) of revenue over expenditures	7,068,381	(1,413,473)	(1,188,534)	4,466,374	(5,118,375)	(652,001)
Other financing sources (uses)						
Operating transfers from:						
Primary government					5,596,537	5,596,537
Component unit	375,190		155,847	531,037		531,037
Operating transfers to:						
Primary government					(531,037)	(531,037)
Component units	(5,596,537)		(253,744)	(5,850,281)		(5,850,281)
Other operating transfers in	140,000	1,413,473	515,099	2,068,572	52,233	2,120,805
Other operating transfers out	(2,062,572)			(2,062,572)	(52,233)	(2,114,805)
	(7,143,919)	1,413,473	417,202	(5,313,244)	5,065,500	(247,744)
Deficiency of revenue and other financing sources over expenditures and other financing uses	(75,538)		(771,332)	(846,870)	(52,875)	(899,745)
Fund balances -July 1,1999	4,137,538		964,086	5,101,624	245,714	5,347,338
Fund balances -June 30, 2000	\$ 4,062,000	\$ -	\$ 192,754	\$ 4,254,754	\$ 192,839	\$ 4,447,593

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	General Fund			Component Unit		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
General property taxes	\$ 9,025,875	\$ 9,247,685	\$ 221,810	\$ -	\$ -	\$ -
Other local taxes	1,721,000	1,890,427	169,427			
Permits, privilege fees, and regulatory licenses	83,000	100,194	17,194			
Fines and forfeitures	27,900	35,957	8,057			
Revenue from use of money and property	169,300	208,543	39,243			
Charges for services	27,817	28,360	543	43,525	17,340	(26,185)
Intergovernmental:						
Commonwealth of Virginia	1,939,816	1,979,970	40,154	7,738,061	8,182,974	444,913
Federal	45,860	50,470	4,610	569,741	464,600	(105,141)
Miscellaneous	11,654	22,710	11,056	109,539	121,741	12,202
Total revenue	13,052,222	13,564,316	512,094	8,460,866	8,786,655	325,789
Expenditures						
Current:						
Legislative	54,482	54,477	5			
General and financial administration	1,014,389	1,000,563	13,826			
Board of elections	96,866	96,257	609			
Public safety	2,973,453	2,967,655	5,798			
Public works	960,781	944,034	16,747			
Health and welfare	513,902	448,376	65,526			
Parks, recreation, and cultural	662,680	662,676	4			
Community development	283,521	265,484	18,037			
Education				13,998,353	13,798,922	199,431
Nondepartmental	43,000	42,113	887			
Total expenditures	6,603,074	6,481,635	121,439	13,998,353	13,798,922	199,431
Excess (deficiency) of revenue over expenditures - budgetary basis	6,449,148	7,082,681	633,533	(5,537,487)	(5,012,267)	525,220
Other financing sources (uses)						
Operating transfers from:						
Primary government	140,000	140,000		5,596,537	5,596,537	
Component unit	272,372	375,190	102,818			
Operating transfers to:						
Primary government	(2,064,121)	(2,062,572)	1,549		(531,037)	(531,037)
Special revenue-component unit				(59,050)	(53,233)	5,817
Component unit	(5,596,537)	(5,596,537)	-			
Total other financing sources (uses)	(7,248,286)	(7,143,919)	104,367	5,537,487	5,012,267	(525,220)
Deficiency of revenue and other financing sources over expenditures and other financing uses -budgetary basis	(799,138)	(61,238)	\$ 737,900			\$ -
Net appropriation from fund balance	799,138					
Budget-excess of revenue, other financing sources, and appropriation from fund -balances over expenditures and other financing uses	\$ -			\$ -		
Less: Encumbrances outstanding June 30, 1999, actually expended as of June 30, 2000		(78,070)			(217,728)	
Add: Encumbrances outstanding June 30, 2000		63,770			156,138	
Deficiency of revenue and other financing sources over expenditures and other financing uses, GAAP basis		(75,538)			(61,590)	
Fund balances -July 1, 1999		4,137,538			217,728	
Fund balances -June 30, 2000		\$ 4,062,000			\$ 156,138	

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

CITY OF POQUOSON, VIRGINIA

COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS (DEFICIT)
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT -
INDUSTRIAL DEVELOPMENT AUTHORITY

Year Ended June 30, 2000

	Proprietary Fund Types		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Primary Government	Industrial Development Authority	Reporting Entity
Operating revenue					
Charges for services	\$ 1,339,981	\$ 499,883	\$ 1,839,864		1,839,864
Festivals	66,784		66,784		66,784
Miscellaneous	4,282		4,282		4,282
Total operating revenue	1,411,047	499,883	1,910,930		1,910,930
Operating expenses					
Personnel services	372,447	177,325	549,772		549,772
Contractual services	174,296	51,553	225,849	4,098	229,947
Materials and supplies	126,335	254,700	381,035		381,035
Depreciation and amortization	227,430	8,689	236,119	1,153	237,272
Other charges	65,124	11,737	76,861		76,861
Waste disposal	224,467		224,467		224,467
Total operating expenses	1,190,099	504,004	1,694,103	5,251	1,699,354
Operating income (loss)	220,948	(4,121)	216,827	(5,251)	211,576
Nonoperating revenue (expenses)					
Interest income	293,989		293,989		293,989
Interest and fiscal charges	(477,759)		(477,759)		(477,759)
Net nonoperating expenses	(183,770)	-	(183,770)		(183,770)
Income (loss) before operating transfers	37,178	(4,121)	33,057	(5,251)	27,806
Operating transfers					
From primary government				253,744	253,744
Transfers in	134,000		134,000		134,000
Transfers out	(140,000)		(140,000)		(140,000)
Net operating transfers	(6,000)		(6,000)	253,744	247,744
Net income (loss)	31,178	(4,121)	27,057	248,493	275,550
Accumulated deficit -July 1, 1999	(34,683)	(65,398)	(100,081)		(100,081)
Retained earnings (deficit) -June 30, 2000	\$ (3,505)	\$ (69,519)	\$ (73,024)	\$ 248,493	\$ 175,469

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

CITY OF POQUOSON, VIRGINIA

**COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES AND DISCRETELY
PRESENTED COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY**

Year Ended June 30,2000

	Proprietary Fund Types		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Primary Government	Industrial Development Authority	Reporting Entity
Cash flows from operating activities					
Operating income (loss)	\$ 220,948	\$ (4,121)	\$ 216,827	\$ (5,251)	\$ 211,576
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortization	227,430	8,689	236,119	1,153	237,272
Changes in:					
Accounts receivable	(24,827)	24	(24,803)		(24,803)
Prepaid expenses	(2,506)	(1,004)			
Due from General Fund	292,125	-	292,125		292,125
Due from component unit	2,698		2,698		2,698
Inventory	(3,119)	9,233	6,114		6,114
Accounts payable and accrued liabilities	360,936	3,307	364,243	4,097	368,340
Accrued compensated absences	1,603	(243)	1,360		1,360
Due to General Fund	(85,819)	(11,036)	(96,855)	10,638	(86,217)
Net cash provided by operating activities	989,469	4,849	997,828	10,637	1,008,465
Cash flows from noncapital financing activities					
Operating transfers in from other funds	134,000		134,000		134,000
Operating transfers out to other funds	(140,000)		(140,000)		(140,000)
Net cash (used) provided by noncapital financing activities	(6,000)	-	(6,000)		(6,000)
Cash flows from capital and related financing activities					
Acquisition and construction of fixed assets	(5,052,998)	(4,849)	(5,057,847)	(264,381)	(5,322,228)
Cost of issuance of bond debt	(40,000)	-	(40,000)		(40,000)
Transfer from primary government				253,744	253,744
Contributed capital	234,400		234,400		234,400
Payments received on notes receivable	13,329		13,329		13,329
Interest paid on general obligation bonds and note payable	(404,651)	-	(404,651)		(404,651)
Proceeds from general obligation bonds	13,386,531		13,386,531		13,386,531
Principal payments on general obligation bonds	(9,226,809)	-	(9,226,809)		(9,226,809)
Principal payments on note payable	(21,000)		(21,000)		(21,000)
Net cash used by capital and related financing activities	(1,111,198)	(4,849)	(1,116,047)	(10,637)	(1,126,684)
Cash flows from investing activities					
Interest income	293,989		293,989		293,989
Net cash provided by investing activities	293,989		293,989		293,989
Net increase in cash and cash equivalents	166,260		169,770		169,770
Cash and cash equivalents -July 1, 1999	1,451,631		1,451,631		1,451,631
Cash and cash equivalents - June 30,2000	\$ 1,617,891	\$ -	\$ 1,621,401	\$ -	\$ 1,621,401
Noncash investing, capital and financing activities:					
Supplemental disclosure of capital and related financing activities:					
Notes receivable in exchange for sewer availability fees included in contributed capital	\$ 134,700	\$ -	\$ 134,700	\$ -	\$ 134,700
Deferred refunding loss charge included as component of interest expense	\$ 33,108	\$ -	\$ 33,108	\$ -	\$ 33,108

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

CITY OF POQUOSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

■ Reporting Entity

The *City of Poquoson, Virginia* (the City) is a municipality governed by an elected seven-member council. The reporting entity of the City has been determined in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board. In addition, the preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. As required by those principles, these financial statements present the *City of Poquoson, Virginia* (the primary government) and its component units, the School Board, and the Industrial Development Authority.

Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government).

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

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

The Industrial Development Authority (the IDA) is a legally separate public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The IDA was established to promote and develop trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City. The IDA is included in the City's reporting entity because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds IDA's operating budget and receives all revenues derived from IDA land sales. Therefore, the IDA is financially dependent on the City.

(Notes continued on next page)

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

▪ **Reporting Entity** *(Continued)*

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

▪ **Basis of Presentation**

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

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

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

A. GOVERNMENTAL FUND TYPES

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

1. General Fund

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

2. Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for the payment of general obligation debt service for the City and the School Board, except for debt payable by the Sewer Operation. Primary revenue of the Debt Service Fund is derived from transfers from the General Fund and Capital Projects Fund.

(Notes continued on next page)

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

■ ***Basis of Presentation*** *(Continued)*

A. GOVERNMENTAL FUND TYPES *(Continued)*

3. Capital/ Projects Fund

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

B. PROPRIETARY FUND TYPES

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

1. Enterprise Funds

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

The Enterprise Funds include the Sewer Operation Fund which provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees; the Parks and Recreation Fund which accounts for the operation of the City's pool, parks and festivals and derives its primary revenue from user fees and dues; and the Solid Waste Fund which accounts for the collection, disposal, and recycling of household and municipal solid waste, bulky items, and landscaping debris and derives its primary revenue from user fees.

2. Internal Service Fund

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

C. FIDUCIARY FUND TYPE -AGENCY FUND

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

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

(Notes continued on next page)

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

■ ***Basis of Presentation (Continued)***

D. ACCOUNT GROUPS

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

1. General Fixed Assets Account Group

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

2. General Long-term Obligations Account Group

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

E. DISCRETELY PRESENTED COMPONENT UNIT -SCHOOL BOARD

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

1. Component Unit – School Board General Fund

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

2. Component Unit – School Board Special Revenue Fund

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

(Notes continued on next page)

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

. Basis of Presentation *(Continued)*

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

3. Component Unit – School Board Agency Funds

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

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

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

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

The General Long-term Obligations Account Group includes accrued compensated absences (vacation and sick leave) of the School Board and the Virginia Retirement System early retirement liability.

F. DISCRETELY PRESENTED COMPONENT UNIT - IDA

1. Component Unit – Industrial Development Authority – Proprietary Funds

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

■ Total Columns on Combined Statements

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

. Basis of Accounting

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

(Notes continued on next page)

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

■ ***Basis of Accounting*** *(Continued)*

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

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

A. Governmental Funds

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

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

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

B. Proprietary Funds

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

C. Fiduciary Fund

The Fiduciary Fund utilizes the modified accrual basis of accounting.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

■ *Budgeting and Budgetary Accounting*

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

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

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

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

Budgets are adopted on a basis consistent with generally accepted accounting principles 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, 2000, for an increase in appropriations in the amount of \$449,019 and \$291,955 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 within line items of departments. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Unencumbered appropriations lapse at year-end.

■ *Cash and Cash Equivalents*

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

■ *Investments*

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

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

■ **Fixed Assets**

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

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

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

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

It is the City's policy not to capitalize infrastructure such as streets, sidewalks, parking lots, curbs, gutters and piers.

Depreciation for the fixed assets of the Proprietary Fund is computed using the straight-line method over an estimated useful life of 50 to 60 years for the sewer system, 3 to 10 years for machinery and equipment, and 10 to 30 years for buildings and improvements.

It is the City's policy not to depreciate general fixed assets.

■ **Allowance for Uncollectible Accounts**

The City (the primary government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2000, the allowance approximated \$305,000 in the General Fund. All other receivables have experienced a high collection rate; therefore, an allowance for doubtful accounts has not been established by City management for other receivables.

■ **Inventory**

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

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

(Notes continued on next page)

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

■ ***Inventory*** *(Continued)*

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

Inventory is recognized as expenditures when consumed.

■ ***Restricted Assets***

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

■ ***Fund Balance***

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

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

■ ***Encumbrances***

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

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

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

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

Retained earnings (deficits) of the Proprietary Funds, at June 30, 2000, in the Sewer Operation, Parks and Recreation, Solid Waste and Fleet Management Funds were \$(88,765), \$(177,139), \$262,399 and \$(69,519), respectively. The deficits are primarily attributable to accumulated depreciation charges on contributed fixed assets. Retained earnings of the IDA component unit at June 30, 2000, were \$248,493.

(Notes continued on next page)

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

▪ ***Long-term Obligations***

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

Long-term obligations of the Sewer Operation and Solid Waste Funds are accounted for in those funds.

Long-term obligations (accrued compensated absences and the Virginia Retirement System early retirement pension liability) that will be financed from School Board funds, are accounted for in the General Long-term Obligations Account Group of the component unit

▪ ***Sewer Availability Fees***

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

▪ ***Proprietary Fund Accounting***

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

▪ ***Deferred Revenue***

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

▪ ***Estimates***

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

▪ ***Credit Risk***

The assessed value of real estate for the City's ten largest taxpayers comprises 4.45% of the City's real estate tax base. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the City's customer base.

(Notes continued on next page)

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

At year-end, the carrying value of the primary government's deposits with banks and savings institutions was \$(86,062) and the bank balance was \$303,779, including cash with fiscal agents. The City's policy is to invest cash on hand in repurchase agreements. The City's main checking account requires a \$200,000 bank balance, with the remaining cash invested daily into repurchase agreements. Of the bank balance, 100% was covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act).

Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100% of deposits in excess of FDIC limits.

If any member financial institution whose public deposits are collateralized under the Act fails, the entire market value of the collateralized pool is available to satisfy claims of the governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The ability to make additional assessments, provided either by the pooling agreement or by statutes, ensures that there will be no loss of public funds. As a result, a multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance.

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 institutions. At June 30, 2000, no balances of the primary government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

The carrying amount of deposits for the School Board, the discretely presented component unit, was \$(170,142) and the bank balance was \$451,145. The School Board's policy is to invest cash on hand in repurchase agreements. The School Board's main checking account requires a \$125,000 bank balance, with the remaining cash invested daily into repurchase agreements. The bank balance was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. At June 30, 2000, no balances of the component unit were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

Investments

Statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

(Notes continued on next page)

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

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

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

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreement	\$ -	\$ -	\$ 715,000	\$ 715,000	\$ 715,000
Investments not subject to categorization:					
Investment in State Treasury Funds				298,798	298,798
Investment in State Treasurer's Local Government Investment Pool (LGIP)				<u>4,717,994</u>	<u>4,717,994</u>
				5,731,792	5,731,792
Less - repurchase agreement investment in U.S. Treasury Funds, and LGIP classified as cash and cash equivalents				<u>(5,731,792)</u>	<u>(5,731,792)</u>
Total investments				<u>\$ -</u>	<u>\$ -</u>

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

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreement	\$ -	\$ -	\$ 1,058,975	\$ 1,058,975	\$ 1,058,975
Investments not subject to categorization:					
Investment in State Treasurer's Local Government Investment Pool (LGIP)				<u>740,000</u>	<u>740,000</u>
				1,798,975	1,798,975
Less - repurchase agreement investment in U.S. Treasury Funds, and LGIP classified as cash and cash equivalents				<u>(1,798,975)</u>	<u>(1,798,975)</u>
Total investments				<u>\$ -</u>	<u>\$ -</u>

A summary of cash and cash equivalents at June 30, 2000, of both the primary government and its component unit - School Board, was as follows:

	Primary Government	Component Unit
Petty cash and change funds	\$ 2,181	\$ -
Deposits	(86,062)	(170,142)
Investment, classified as cash and cash equivalents	<u>5,731,792</u>	<u>1,798,975</u>
	<u>\$ 5,647,911</u>	<u>\$ 1,628,833</u>

(Notes continued on next page)

NOTE 3 - PROPERTY TAXES RECEIVABLE

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

NOTE 4 - NOTES RECEIVABLE

Notes receivable of the Sewer Operation Fund represent agreements between the *City of Poquoson*, Virginia and residents for payment of sewer availability fees. The original face value of each note of \$3,000 is to be paid in 60 monthly principal installments of \$60.43 plus interest at an effective annual rate of 8%.

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units at June 30, 2000, consists of the following:

	Primary Government	Component Unit
Commonwealth of Virginia:		
Comprehensive Services Act	\$ 22,732	\$ -
School funds		136,799
Sales taxes	27,317	207,125
Street and highway maintenance	197,160	
Cops Fast Matching	16,539	-
Subtotal	<u>263,748</u>	<u>343,924</u>
Federal government:		
School funds		117,096
COPS Fast Grant	<u>20,188</u>	
Total due from other governmental units	<u>\$ 283,936</u>	<u>\$ 461,020</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Details of the interfund receivables and payables within the primary government at June 30, 2000, are as follows:

(Notes continued on next page)

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund - Fleet Management	<u>\$ 5,451</u>

Details of the receivables and payables between the primary government and the component unit at June 30, 2000, are as follows:

<u>Primary Government Receivable Fund</u>	<u>Component Unit Payable Fund</u>	<u>Amount</u>
City General Fund	School General Fund	<u>\$ 117,313</u>
City General Fund	Industrial Development Authority	<u>10,638</u>
		<u>\$ 127,951</u>

NOTE 7 - FIXED ASSETS

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

	Balance July 1, 1999	Additions	Reductions	Balance June 30, 2000
Land and land improvements	\$ 2,259,942	\$ -	\$ -	\$ 2,259,942
Buildings and improvements	5372,483	10,981		5383,464
-Machinery and equipment	3,375,048	456,879	349,042	3,482,885
Construction in progress		246,064		246,064
	<u>\$ 11,007,473</u>	<u>\$ 713,924</u>	<u>\$ 349,042</u>	<u>\$ 11,372,355</u>

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

	Balance July 1, 1999	Additions	Reductions	Balance June 30, 2000
Land	\$ 243,223	\$ -	\$ -	\$ 243,223
Buildings and structures	16,399,887	17,858		16,417,745
Machinery and equipment	2,467,171	212,822	33,995	2,645,998
Construction in progress	15,062	120,365		135,427
	<u>\$ 19,125,343</u>	<u>\$ 351,045</u>	<u>\$ 33,995</u>	<u>\$ 19,442,393</u>

A summary of the Proprietary Funds fixed assets as of June 30, 2000, follows:

	Enterprise Fund				Internal Service Fund
	Sewer Operation	Parks and Recreation	Solid Waste	Total	Fleet Management
Land	\$ 105,867	\$ 28,550	\$ -	\$ 134,417	\$ 1,377
Buildings and improvements		231,283	9,943	241,226	41,742
Sewer system	9,043,291			9,043,291	
Machinery and equipment	322,747	12,915	301,863	637,525	71,537
Construction in progress	5,549,533			5,549,533	
Total	<u>15,021,438</u>	<u>272,748</u>	<u>311,806</u>	<u>15,605,992</u>	<u>114,656</u>
Less - accumulated depreciation	<u>(2,535,320)</u>	<u>(213,658)</u>	<u>(172,396)</u>	<u>(2,921,374)</u>	<u>(80,505)</u>
Net Book Value	<u>\$ 12,486,118</u>	<u>\$ 59,090</u>	<u>\$ 139,410</u>	<u>\$ 12,684,618</u>	<u>\$ 34,151</u>

(Notes continued on next page)

NOTE 8 - LONG-TERM LIABILITIES

Following is a summary of the changes in long-term liabilities that are recorded in the Internal Service Fund and the General Long-term Obligation Account Group of the City and its component unit - School Board, respectively, for the year ended June 30, 2000:

	Balance July 1, 1999	Additions	Reductions	Balance June 30, 2000
General Obligation Debts Payable:				
General obligation bonds	\$ 7,527,821	\$ -	\$ 335,741	\$ 7,192,080
State Literary Fund loans	7,103,228		476,418	6,626,810
	14,631,049		812,159	13,818,890
Accrued benefits:				
Accrued compensated absences	185,582	2,121		187,703
	\$ 14,816,631	\$ 2,121	\$ 812,159	\$ 14,006,593
Component Unit -School Board:				
Accrued benefits:				
Accrued compensated absences	\$ 66,700	\$ 912	\$ -	\$ 67,612
VRS early retirement pension liability	630,744		15,623	615,121
	\$ 697,444	\$ 912	\$ 15,623	\$ 682,733

General Long-Term Obligation Account Group

General Obligation Bonds

School Serial Bonds of 7989 - \$1,500,000 bonds issued and due in annual installments varying from \$55,000 to \$90,000 through December 2009, with interest payable semi-annually at rates varying from 6.85% to 7.20%.

\$ 670,000

City Serial Bonds of 1994A - \$4,900,000 bonds issued and due in annual installments varying from \$120,000 to \$400,000 through January 2016, with interest payable semi-annually at rates varying from 3.90% to 5.375%.

4,465,000

High School Serial Bonds of 1998 - \$650,000 bonds issued and due in annual installments varying from \$30,000 to \$35,000 through July 2018, with interest payable semi-annually at rates varying from 3.60% to 5.10%.

615,000

General Obligation Court Facility Bond Series 1998A - \$1,546,415 bonds issued and due in annual installments varying from \$43,594 to \$122,839, through March 2016, with interest paid semi-annually at 4.5%.

1,442,080

Total general obligation bonds outstanding

\$ 7,192,080

(Notes continued on next page)

NOTE 8 - LONG-TERM LIABILITIES (Continued)**General/ Long-term Obligations Account Group (Continued)****State Literary Fund Loans****Middle School Addition Literary Fund Loan - \$491,825**

loan issued February 1, 1971, due in annual installments of \$16,400 through February, 2001, with interest at 3%.

\$ 16,400

Elementary School Addition Literary Fund Loan -

\$410,000 loan issued May 1, 1982, due in annual installments of \$20,500 through May 2002, with interest at 3%.

41,000

Middle School Literary Fund Loan (HVAC) - \$410,776

loan issued May 1, 1985, due in annual installments of \$20,538 through May 2005, with interest at 3%.

102,690

Elementary School Literary Fund Loan (HVAC) - \$339,561

loan issued May 1, 1985, due in annual installments of \$16,980 through May 2005, with interest at 3%.

84,900

Primary School Literary Fund Loan - \$2,500,000

loan issued September 15, 1989, due in annual installments of \$125,000 through August 2009, with interest at 3%.

1,250,000

Primary School Literary Fund Loan - \$408,820

loan issued August 15, 1998, due in annual installments of \$27,000 through August 2012, and a final payment of \$30,820 due in August 2013, with interest at 3%.

381,820

High School Literary Fund Loan - \$5,000,000

loan issued November 17, 1998, due in annual installments of \$250,000 through December 2018, with interest at 3%.

4,750,000

Total state literary fund loans outstanding

\$ 6,626,810

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 358,473	\$ 366,395
2002	371,330	348,948
2003	374,315	331,224
2004	382,434	313,158
2005	415,694	293,860
Thereafter	5,289,834	1,718,216
	<u>\$ 7,192,080</u>	<u>\$ 3,371,801</u>

(Notes continued on next page)

NOTE 8 - LONG-TERM LIABILITIES *(Continued)***General Long-term Obligations Account Group** *(Continued)*

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 476,418	\$ 198,805
2002	460,018	184,513
2003	439,518	170,711
2004	439,518	157,526
2005	439,518	144,339
Thereafter	4,371,820	881,254
	<u>\$ 6,626,810</u>	<u>\$ 1,737,148</u>

Compensated Absences

Earned annual leave and vested portions of accumulated sick leave for employees of the primary government have been recorded in the General Long-term Obligations Account Group. The portion of the liability at June 30, 2000, which will be liquidated in each of the next five years, is not determinable.

Earned annual leave and the vested portion of accumulated sick leave for employees of the School Board have been recorded in the General Long-term Obligations Account Group of the component unit. The portion of the liability at June 30, 2000, to be liquidated in each of the next five years, is not determinable.

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

VRS Early Retirement Pension Liability

The Virginia Retirement System (VRS) early retirement pension liability, recognized as of July 1, 1995, represents an amount payable to VRS to pay for the early retirement option offered by the School Board in 1991. The early retirement pension liability is repayable over a 30-year period and includes interest at 8%. Debt service on the VRS early retirement pension liability is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 17,053	\$ 49,029
2002	18,418	47,665
2003	19,891	46,192
2004	21,483	44,601
2005	23,201	42,882
Thereafter	515,075	806,585
	<u>\$ 615,121</u>	<u>\$ 1,036,954</u>

(Notes continued on next page)

NOTE 8 - LONG-TERM LIABILITIES (Continued)**Debt Limit**

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to ten percent of total assessed value of real property. As of June 30, 2000, the City's aggregate general obligation indebtedness was approximately \$51,678,998 less than the allowable limit.

Overlapping Debt

There are no overlapping or underlying tax jurisdictions.

NOTE 9 - LONG-TERM LIABILITIES - PROPRIETARY FUNDS

Following is a summary of debt transactions of the proprietary funds for the fiscal year ended June 30, 2000:

	July 1, 1999	Additions	Reductions	June 30, 2000
Enterprise Funds				
General obligation funds	\$ 4,539,591	\$ 13,386,531	\$ 9,226,809	\$ 8,699,313
Accounting loss on refunding	(487,507)		(33,108)	(454,399)
	4,052,084	13,386,531	9,193,701	8,244,914
Note payable	21,000		21,000	
Accrued compensated absences	9,921	2,027	424	11,524
	<u>\$ 4,083,005</u>	<u>\$ 13,388,558</u>	<u>\$ 9,215,125</u>	<u>\$ 8,256,438</u>
Internal Service Fund				
Accrued compensated absences	\$ 6,445	\$	\$ 243	\$ 6,202

General long-term obligations and notes payable at June 30, 2000, are composed of the following:

Enterprise Funds**General Obligation Bonds**

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

\$ 1,285,000

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

755,000

Total (carried forward)

2,040,000

(Notes continued on next page)

NOTE 9 - LONG-TERM LIABILITIES - PROPRIETARY FUNDS (Continued)**Enterprise Funds (Continued)****General Obligation Bonds (Continued)**

Total (brought forward)	\$ 2,040,000
--------------------------------	---------------------

General Obligation Sewer Bonds, Series 2000B (May 2000)

- \$2,664,671 bonds issued with interest only due on the outstanding balance at March 1, 2001, at 3.5%. Commencing on September 1, 2001, principal and interest due in semi-annual installments of \$94,847 through September 2020, at a rate of 3.5%.

	2,664,671
--	-----------

General Obligation Sewer Bonds, Series 2000A (May 2000)

- \$7,335,329 bonds authorized and \$1,721,860 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%.

	1,721,860
--	-----------

General Obligation Sewer System Refunding Bonds, Series 1998B (December 7998) - \$2,294,591 bonds issued and due in annual installments varying from \$21,809 for \$235,256, through September 2017, with interest payable semi-annually at 4.5%.

	2,272,782
--	-----------

	8,699,313
--	-----------

Accounting loss on refundings

	(454,399)
--	-----------

Total general obligation bonds outstanding	\$ 8,244,914
---	---------------------

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 199,267	\$ 468,180
2002	570,180	572,283
2003	588,975	549,562
2004	613,266	525,762
2005	638,069	500,799
Thereafter	6,089,556	4,141,398
	<u>\$ 8,699,313</u>	<u>\$ 6,757,984</u>

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

Earned annual leave and the vested portion of accumulated sick leave for employees have been recorded in the Enterprise Funds and the Internal Service Fund as appropriate. The amount of the June 30, 2000, balances disclosed above which will be liquidated in each of the next five fiscal years is not determinable.

(Notes continued on next page)

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

Defeased Debt

On December 29, 1998, the City issued General Obligation Sewer System Refunding Bonds of \$3,841,406 with an interest rate of 4.50% to advance refund a portion of the 1994B Sewer General Obligation Bonds and Court Facility note payable with an interest rate of 5.5% to 6.5%.

The 1994B bonds mature September 2017, and are callable in September 2006. The 1998A General Obligation Refunding Bonds were issued at a premium of \$40,300, and after paying issuance costs of \$31,500, the net proceeds were \$3,809,505, of which \$2,276,700 was used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 1994 General Obligation Bonds are called September 2006. The remaining \$1,532,805 was used to pay off the Court Facility note payable. The advance refunding met the requirements of an in-substance debt defeasance on the 1994B Sewer General Obligation Bonds and a legal debt defeasance on the Court Facility note payable. Those bonds to be called were removed from the City's Sewer bonds payable.

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

In prior years, The City defeased certain Sewer General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2000, \$2,990,000 of bonds outstanding is considered defeased.

The unamortized amount deferred on the sewer refundings of \$454,399 is reported in the accompanying financial statements as a reduction of bonds payable, and is being charged to operations as a component of interest through the year 2016 using the straight-line method.

NOTE 10 - CONTRIBUTED CAPITAL

Changes in contributed capital for all Proprietary Funds during the year ended June 30, 2000, are summarized as follows:

	Enterprise Funds			Internal Service Fund	
	Sewer Operation	Parks and Recreation	Solid Waste	Total	Fleet Management
Contributed capital - July 1, 1999	\$ 4,764,084	\$ 259,833	\$ 67,339	\$ 5,091,256	\$ 96,114
Contributions	369,100			369,100	
Contributed capital - June 30, 2000	\$ 5,133,184	\$ 259,833	\$ 67,339	\$ 5,460,356	\$ 96,114

NOTE II- DEFERRED REVENUE

Deferred revenue for the primary government at June 30, 2000, consists of real and personal property taxes not collected within 45 days after June 30, 2000. Deferred revenue for the School Board at June 30, 2000, consists of grant money received but not yet expended.

(Notes continued on next page)

NOTE 12 - SEGMENT INFORMATION

The City maintains three enterprise funds that provide sewer services, recreational facilities, and solid waste disposal. Segment information for the year ended June 30, 2000, is as follows:

	Sewer Operation Fund	Parks and Recreation Fund	Solid Waste Fund	Total Enterprise Fund
Operating revenue	\$ 798,396	\$ 337,193	\$ 275,458	\$ 1,411,047
Depreciation and amortization	\$ 194,191	\$ 15,370	\$ 17,869	\$ 227,430
Operating income (loss)	\$ 359,006	\$ (33,859)	\$ (104,199)	\$ 220,948
Operating transfers in	\$ -	\$ -	\$ 134,000	\$ 134,000
Operating transfers out	\$ (140,000)	\$ -	\$ -	\$ (140,000)
Net income (loss)	\$ 35,326	\$ (33,859)	\$ 29,711	\$ 31,178
Current capital contribution	\$ 369,100	\$ -	\$ -	\$ 369,100
Fixed asset additions	\$ 4,938,395	\$ -	\$ 114,603	\$ 5,052,998
Net working capital	\$ 292,573	\$ 23,604	\$ 190,328	\$ 506,505
Total assets	\$ 14,292,336	\$ 102,375	\$ 340,799	\$ 14,735,510
Bonds and other long-term obligations payable	\$ 8,244,914	\$ -	\$ -	\$ 8,244,914
Total equity	\$ 5,044,419	\$ 82,694	\$ 329,738	\$ 5,456,851

NOTE 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.

NOTE 14 - SURETY BONDS

The City maintained the following surety bond coverages on certain employees of the primary government and component unit during the fiscal year ended June 30, 2000:

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

(Notes continued on next page)

NOTE 14 - SURETY BONDS (Continued)

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

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

NOTE 15 - RELATED-PARTY TRANSACTIONS

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Alliance for Economic Development (PAED), Colonial Services Board (CSB) and Greater Peninsula Workforce Development Consortium (GPWDC). Expenditures of these agencies are financed by Federal and State grants and fees, including contributions from the City. During the year ended June 30, 2000, the City provided support to HRPDC of \$9,562, VPPSA of \$154,070, PAED of \$10,825, CSB of \$74,496 and GPWDC of \$5,000.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2000, the City incurred expenses for the jail and center of \$36,212 and \$8,774, respectively.

The City of Poquoson is a "Class B" city under the laws of the Commonwealth of Virginia and, as such, shares certain services and their associated costs with York County, including the circuit court and the sheriff of York County. The City also shares social services with York County. During the year ended June 30, 2000, the City paid \$221,388 to York County for these shared services.

NOTE 16 - DEFINED BENEFIT PENSION PLAN

-- A. *Plan Description*

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

(Notes continued on next page)

NOTE 16 - DEFINED BENEFIT PENSION PLAN *(Continued)*

A. Plan Description *(Continued)*

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees who retire at or after age 55 (age 50 for participating law enforcement officers and firefighters) with at least 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.5% of their average final salary (AFS), up to \$13,200 plus 1.70% of AFS over \$13,200, for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with more than 35 years of credited service are entitled to an annual benefit equal to 1.65% of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits.

Participating law enforcement officers (LEO) and firefighters may receive a monthly benefit supplement if they are retired prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Employees are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. Both the City and the School Board have assumed their employees' required share. If an employee leaves covered employment, the accumulated employee contributions plus interest earned may be refunded to the employee. Each participating employer is required by State statute to contribute the remaining amounts above the employees' 5% contribution necessary to fund the System, using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

Total contributions made to the VRS for fiscal year 2000 of \$250,154 by the City and \$20,202 by the School Board for its nonprofessional employees were equal to the required contributions.

Contributions made by the City and the School Board represent 7.84% and 5.38%, respectively, of covered payrolls for the fiscal year while employee contributions represent 5% of current covered payrolls.

Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the years ending June 30, 2000 and 1999 were \$1,102,461 and \$996,948, respectively, and were equal to the required contributions. Employer and employee contributions for 2000 were \$699,803 and \$393,639, respectively, and represented 9.04% and 5%, respectively, of the current covered payroll.

(Notes continued on next page)

NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost

The funding policy of VRS provides for periodic employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll, and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method. Gains and losses are reflected in the unfunded accrued liability that is being amortized as a level percentage of payrolls within a period of 30 years or less. The applicable amortization method utilized is the level percent open method and assets are valued under the modified market method. Rates necessary to support post-retirement supplements which may be payable in addition to the basic benefits are determined separately on a current disbursement basis.

Significant actuarial assumptions used to compute the pension benefit obligation at June 30, 1996, include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases attributable to inflation of 4% per year compounded annually, (c) additional projected salary increases, graded by age and attributable to seniority/merit, of approximately 4% to 6.15% per year, and (d) post-retirement benefit increases of 3.5% per year.

	Fiscal Year Ending	Trend Information		Net Pension Obligation
		Annual Pension Cost (APC)	Percentage of APC Contributed	
City Employees	6/30/00	\$ 187,616	100%	\$-0-
	6/30/99	\$ 173,899	100%	\$-0-
	6/30/98	\$ 169,272	100%	\$-0-
School Board Non- professional Employees	6/30/00	\$ 20,202	100%	\$-0-
	6/30/99	\$ 20,406	100%	\$-0-
	6/30/98	\$ 20,941	100%	\$-0-

Schedule of Funding Progress -City Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded Actuarial Liability as a Percent of Covered Payroll
06/30/99	\$ 8,331,910	\$ 7,661,020	\$ 670,890	108.8%	\$ 3,059,380	21.9%
06/30/98	\$ 7,013,821	\$ 5,518,576	\$ 1,495,245	127.1%	\$ 2,807,789	53.3%
06/30/96	\$ 4,904,108	\$ 4,460,295	\$ 433,813	110.0%	\$ 2,519,183	17.6%
06/30/94	\$ 3,693,071	\$ 2,939,995	\$ 753,076	125.6%	\$ 2,222,307	33.9%

(Notes continued on next page)

NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)**C. Annual Pension Cost (Continued)**

Schedule of Funding Progress – School Board Nonprofessional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Underfunded Actuarial Liability as a Percent of Covered Payroll
06/30/99	\$ 502,635	\$ 581,297	\$ (78,662)	86.5%	\$ 371,974	(21.1%)
06/30/98	\$ 410,489	\$ 470,988	\$ (60,499)	87.2%	\$ 377,434	(16.0%)
06/30/96	\$ 264,305	\$ 283,148	\$ (18,843)	93.3%	\$ 378,793	(5.0%)
06/30/94	\$ 109,014	\$ 160,778	\$ (51,764)	67.8%	\$ 345,760	(15.0%)

D. Notes to Schedules of Employer Contributions and Funding Progress

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations. Additional information as of the June 30, 1996, actuarial valuation follows:

Valuation date	June 30, 1996
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Payroll growth rate	4.00%
Remaining amortization period	30 Years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return ¹	8.00%
Projected salary increases: ¹	
Non-LEO employees, including School Board nonprofessional employees	4.00% to 6.15%
LEO employees	4.25% to 6.00%
Cost-of-living adjustments	3.5%

¹ Includes inflation at 4%.

(Notes continued on next page)

NOTE 17 - 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 coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 18 - PERSONAL PROPERTY TAX RELIEF ACT OF 1998

Recent legislation by the state enacted the Personal Property Tax Relief Act of 1998. The effect of the legislation will result in a steady decline in personal property tax revenue, with a corresponding increase in intergovernmental revenue from the Commonwealth of Virginia. The Commonwealth of Virginia directly reimbursed taxpayers for tangible personal property tax levies paid on qualifying vehicles for calendar year 1998. The Commonwealth will pay to the *City of Poquoson* a percentage of the reimbursable amount for calendar year 2000 and subsequent years. In fiscal year 2000, the effect of the legislation shifted \$667,497 from general property taxes to state revenue.

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

Tax Year Beginning Calendar Year	Percentage Level
1998	12.5%
1999	27.5%
2000	47.5%
2001	70.0%
2002 and thereafter	100.0%

NOTE 19 - SUBSEQUENT EVENT

On October 28, 2000, the City issued \$925,000 of general obligation bonds to finance the construction and equipping of a fire station.

* * * * *

CITY OF POQUOSON, VIRGINIA**BALANCE SHEET
GENERAL FUND****June 30, 2000****ASSETS**

Cash and cash equivalents	\$ 3,630,646
Property taxes receivable - net	599,309
Utility taxes receivable	97,780
Other receivables	21,328
Due from other fund	5,451
Due from component units	127,951
Due from other governmental units	228,026
Prepaid items	40,371
Total assets	\$ 4,750,862

LIABILITIES AND FUND BALANCES**Liabilities**

Accounts payable and accrued liabilities	\$ 196,409
Deferred revenue	492,453
Total liabilities	688,862

Fund balances

Reserved for encumbrances	63,770
Reserved for prepaid items	40,371
Unreserved and undesignated	3,957,859
Total fund balances	4,062,000

Total liabilities and fund balances	\$ 4,750,862
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND****Year Ended June 30, 2000****Revenue**

General property taxes	\$ 9,247,685
Other local taxes:	
Sales and use taxes	343,158
Meals tax	236,955
Consumers' utility and E-91 1 telephone taxes	599,729
Business license taxes	235,019
Franchise license taxes	56,017
Motor vehicle license taxes	262,054
Bank stock taxes	36,104
Recordation and will taxes, deed of conveyance	121,391
Permits, privilege fees, and regulatory licenses	100,194
Fines and forfeitures	35,957
Revenue from use of money and property	208,543
Charge for services	28,360
Intergovernmental:	
Commonwealth of Virginia	1,979,970
Federal government	50,470
Miscellaneous	22,710
Total revenue	13,564,316

Expenditures

General government administration	1,149,086
Public safety	2,943,894
Public works	983,878
Health and welfare	448,376
Parks, recreation, and cultural	663,220
Community development	262,813
Nondepartmental	44,668
Total expenditures	6,495,935

Excess of revenue over expenditures

7,068,381

Other financing sources (uses)

Transfers from:	
Component Unit	375,190
Sewer Fund	140,000
Transfers to:	
Component Unit	(5,596,537)
Debt Service Fund	(1,413,473)
Solid Waste Fund	(134,000)
Capital Projects Fund	(515,099)
Total other financing uses	(7,143,919)

**Deficiency of revenue and other financing sources
over expenditures and other financing uses**

(75,538)

Fund balance -July 1, 1999

4,137,538

Fund balance -June 30, 2000**\$ 4,062,000***The accompanying notes are an integral part of these financial statements.*

CITY OF POQUOSON, VIRGINIA**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND**

Year Ended June 30, 2000

Expenditures

Debt service:

Principal retirement

\$ 812,159

Interest and fiscal charges

601,314**Total expenditures**1,413,473**Other financing sources (uses)**

Operating transfers in:

General Fund

1,413,473**Net other financing sources**1,413,473**Excess of other financing sources over expenditures**

-

Fund balance - July 1, 1999-**Fund balance - June 30, 2000**\$ -*The accompanying notes are an integral part of these financial statements.*

CITY OF POQUOSON, VIRGINIA**BALANCE SHEET
CAPITAL PROJECTS FUND****June 30, 2000****ASSETS**

Cash and cash equivalents	\$ 347,759
Due from other governmental units	55,910
Total assets	\$ 403,669

LIABILITIES AND FUND BALANCE**Liabilities**

Accounts payable and accrued liabilities	\$ 210,915
Total liabilities	210,915

Fund balance

Reserved for encumbrances	22,268
Unreserved:	
Designated for fiscal year 2001 budget	170,486
Total fund balance	192,754

Total liabilities and fund balance	\$ 403,669
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND**

Year Ended June 30, 2000

Revenue

Intergovernmental - Commonwealth of Virginia	\$ 225,469
Total revenue	<u>225,469</u>

Expenditures

Capital outlays	1,414,003
Total expenditures	<u>1,414,003</u>

Deficiency of revenue over expenditures	<u>(1,188,534)</u>
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Other financing sources (uses)

Operating transfers in - general fund	515,099
Operating transfers from component unit - School Board	155,847
Operating transfers to component unit - IDA	<u>(253,744)</u>
Net other financing sources	<u>417,202</u>

Deficiency of revenue and other financing sources over expenditures and other financing uses	<u>(771,332)</u>
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Fund balance - July 1, 1999	<u>964,086</u>
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Fund balance - June 30, 2000	<u>\$ 192,754</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

COMBINING BALANCE SHEETS
ENTERPRISE FUNDS

June 30, 2000

ASSETS	Sewer Operation	Parks and Recreation	Solid Waste	Total
Current assets				
Cash and cash equivalents	\$ 1,122,042	\$ 42,453	\$ 154,598	\$ 1,319,093
Accounts receivable	212,170		36,315	248,485
Notes receivable	129,093			129,093
Prepaid expenses	971	832	703	2,506
Inventory			9,773	9,773
Total current assets	1,464,276	43,285	201,389	1,708,950
Restricted assets				
Revenue bond indenture -				
Cash and cash equivalents	298,798			298,798
Total restricted assets	298,798			298,798
Fixed assets				
Land	105,867	28,550		134,417
Buildings and improvements		231,283	9,943	241,226
Sewer system	9,043,291			9,043,291
Machinery and equipment	322,747	12,915	301,863	637,525
Construction in progress	5,549,533			5,549,533
Less --accumulated depreciation	(2,535,320)	(213,658)	(172,396)	(2,921,374)
Fixed assets, net of accumulated depreciation	12,486,118	59,090	139,410	12,684,618
Other assets	43,144			43,144
Total assets	\$ 14,292,336	\$ 102,375	\$ 340,799	\$ 14,735,510
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable and accrued liabilities	\$ 997,758	\$ 16,906	\$ 7,557	\$ 1,022,221
Accrued compensated absences	5,245	2,775	3,504	11,524
General obligation bonds - current portion	168,700			168,700
Total current liabilities	1,171,703	19,681	11,061	1,202,445
Long-term liabilities				
General obligation bonds	8,076,214			8,076,214
Total liabilities	9,247,917	19,681	11,061	9,278,659
Fund equity				
Contributed capital:				
Municipality	757,379	63,833	67,339	888,551
Capital grants	1,343,449	196,000		1,539,449
Other	3,032,356			3,032,356
Total contributed capital	5,133,184	259,833	67,339	5,460,356
Retained earnings (deficit)	(88,765)	(177,139)	262,399	(3,505)
Total fund equity	5,044,419	82,694	329,738	5,456,851
Total liabilities and fund equity	\$ 14,292,336	\$ 102,375	\$ 340,799	\$ 14,735,510

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	Sewer Operation	Parks and Recreation	Solid Waste	Total
Operating revenue				
Charges for services	\$ 795,768	\$ 268,755	\$ 275,458	\$ 1,339,981
Festivals		66,784		66,784
Miscellaneous	2,628	1,654		4,282
Total operating revenue	798,396	337,193	275,458	1,411,047
Operating expenses				
Personnel services	125,529	161,700	85,218	372,447
Contractual services	34,483	138,594	1,219	174,296
Materials and supplies	34,092	41,869	50,374	126,335
Depreciation and amortization	194,191	15,370	17,869	227,430
Other charges	51,095	13,519	510	65,124
Waste disposal			224,467	224,467
Total operating expenses	439,390	371,052	379,657	1,190,099
Operating income (loss)	359,006	(33,859)	(104,199)	226,948
Nonoperating revenue (expenses)				
Interest income	293,989			293,989
Interest and fiscal charges	(477,669)		(90)	(477,759)
Net nonoperating expenses	(183,680)		(90)	(183,770)
Income (loss) before operating transfers	175,326	(33,859)	(104,289)	37,178
Operating transfers in - general fund			134,000	134,000
Operating transfers out - general fund	(140,000)			(140,000)
Net income (loss)	35,326	(33,859)	29,711	31,178
Retained earnings (deficit) -July 1, 1999	(124,091)	(143,280)	232,688	(34,683)
Retained earnings (deficit) -June 30, 2000	\$ (88,765)	\$ (177,139)	\$ 262,399	\$ (3,505)

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

CITY OF POQUOSON, VIRGINIA

COMBINING STATEMENTS OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended June 30, 2000

	Sewer Operation	Parks and Recreation	Solid Waste	Total
Cash flows from operating activities				
Operating income (loss)	\$ 359,006	\$ (33,859)	\$ (104,199)	\$ 220,948
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation and amortization	194,191	15,370	17,869	227,430
Changes in:				
Accounts receivable	(28,219)	3,325	67	(24,827)
Prepaid expenses	(971)	(832)	(703)	(2,506)
Due from general fund		47,691	244,434	292,125
Due from component unit	2,698		-	2,698
Inventory			(3,119)	(3,119)
Accounts payable and accrued liabilities	350,237	10,785	(86)	360,936
Accrued compensated absences	(398)	(27)	2,028	1,603
Due to general fund	(85,819)			(85,819)
Net cash provided by operating activities	790,725	42,453	156,291	989,469
Cash flows from noncapital financing activities				
Operating transfers in from general fund			134,000	134,000
Operating transfers out to general fund	(140,000)			(140,000)
Net cash provided (used) by noncapital financing activities	(140,000)	-	134,000	(6,000)
Cash flows from capital and related financing activities				
Acquisition and construction of fixed assets	(4,938,395)	-	(114,603)	(5,052,998)
Cost of issuance of bond debt	(40,000)	-		(40,000)
Contributed capital	234,400			234,400
Payments received on notes receivable	13,329			13,329
Interest paid on general obligation bonds and note payable	(404,561)	-	(90)	(404,651)
Proceeds from general obligation bonds	13,386,531			13,386,531
Principal payments on general obligation bonds	(9,226,809)	-		(9,226,809)
Principal payments on note payable			(21,000)	(21,000)
Net cash used by capital and related financing activities	(975,505)	-	(135,693)	(1,111,198)
Cash flows from investing activities				
-Interest income	293,989			293,989
Net cash provided by investing activities	293,989			293,989
Net (decrease) increase in cash and cash equivalents	(30,791)	42,453	154,598	166,260
Cash and cash equivalents - July 1, 1999	1,451,631			1,451,631
Cash and cash equivalents -June 30, 2000	\$ 1,420,840	\$ 42,453	\$ 154,598	\$ 1,617,891
Supplemental disclosure of capital and related financing activities:				
Notes receivable in exchange for sewer availability fees included in contributed capital	\$ 134,700	\$ -	\$ -	\$ 134,700
Deferred refunding loss charge included as a component of interest expense	\$ 33,108	\$ -	\$ -	\$ 33,108

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

CITY OF POQUOSON, VIRGINIA**BALANCE SHEET
INTERNAL SERVICE FUND****June 30, 2000**

ASSETS		Fleet Management
Current assets		
Prepaid items		\$ 1,004
Inventory		20,746
Total current assets		<u>21,750</u>
Fixed assets		
Land		1,377
Building and improvements		41,742
Machinery and equipment		71,537
Less - accumulated depreciation		(80,505)
Fixed assets - net		<u>34,151</u>
Total assets		<u>\$ 55,901</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable and accrued liabilities		\$ 17,653
Accrued compensated absences		6,202
Due to general fund		5,451
Total liabilities		<u>29,306</u>
Fund equity		
Contributed capital:		
Municipality		96,114
Accumulated deficit		(69,519)
Total fund equity		<u>26,595</u>
Total liabilities and fund equity		<u>\$ 55,901</u>

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

C/N OF POQUOSON, VIRGINIA**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT
INTERNAL SERVICE FUND****Year Ended June 30, 2000**

	Fleet Management
Operating revenue	
Charges for services	\$ 499,883
Total operating revenue	499,883
Operating expenses	
Personnel services	177,325
Contractual services	51,553
Materials and supplies	254,700
Depreciation	8,689
Other charges	11,737
Total operating expenses	504,004
Net loss	(4,121)
Accumulated deficit - July 1, 1999	(65,398)
Accumulated deficit -June 30, 2000	\$ (69,519)

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

CITY OF POQUOSON, VIRGINIA**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND****Year Ended June 30, 2000**

	Fleet Management
Cash flows from operating activities	
Net loss	\$ (4,121)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	8,689
Change in:	
Accounts receivable	24
Prepaid items	(1,004)
inventory	9,233
Accounts payable and accrued liabilities	3,307
Accrued compensated absences	(243)
Due to general fund	(11,036)
Net cash provided by operating activities	<u>4,849</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	<u>(4,849)</u>
Net cash used by capital and related financing activities	<u>(4,849)</u>
Net increase in cash and cash equivalents	
Cash and cash equivalents -July 1, 1999	<u> </u>
Cash and cash equivalents -June 30, 2000	<u>\$ -</u>

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

CITY OF POQUOSON, VIRGINIA**BALANCE SHEET
AGENCY FUND****June 30, 2000**

ASSETS		Library Building
Cash and cash equivalents		<u>\$ 51,615</u>
LIABILITIES		
Amounts held for others		<u>\$ 51,615</u>

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

CITY OF POQUOSON, VIRGINIA**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND****Year Ended June 30, 2000**

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
<u>Library Building</u>				
Assets				
Cash and cash equivalents	\$ 48,757	\$ 3,858	\$ 1,000	\$ 51,615
Liabilities				
Amounts held for others	\$ 48,757	\$ 3,858	\$ 1,000	\$ 51,615

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

C/N OF POQUOSON, VIRGINIA**SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
GENERAL FIXED ASSET ACCOUNT GROUP**

June 30, 2000

General fixed assets

Land and land improvements	\$ 2,259,942
Buildings and improvements	5,383,464
Machinery and equipment	3,482,885
Construction in progress	<u>246,064</u>

Total general fixed assets	\$ 11,372,355
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Investment in general fixed assets by source

Fixed assets acquired prior to July 1, 1999	\$ 10,658,431
Fixed assets acquired after June 30, 1999:	
From current revenue	462,396
From bond and note proceeds	246,064
From other sources	<u>5,464</u>

Total investment in general fixed assets	\$ 11,372,355
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

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

June 30, 2000					
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
General government	\$ 2,162,338	\$ 4,784,812	\$ 1,015,784	\$ -	\$ 7,962,934
Public safety	52,604	402,416	1,367,160	246,064	2,068,244
Public works			796,494		796,494
Parks, recreation and cultural	45,000	196,236	303,447		544,683
Total general fixed assets allocated to functions	\$ 2,259,942	\$ 5,383,464	\$ 3,482,885	\$ 246,064	\$ 11,372,355

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000					
	General Fixed Assets July 1, 1999	Additions	Reductions	Transfers	General Fixed Assets June 30, 2000
General government	\$ 7,832,434	\$ 168,362	\$ (27,345)	\$ (10,517)	\$ 7,962,934
Public safety	1,918,887	162,549	(265,332)	6,076	1,822,180
Public works	754,562	52,424	(10,492)	-	796,494
Parks, recreation and cultural	501,590	84,525	(45,873)	4,441	544,683
Construction in progress		246,064			246,064
Total general fixed assets	\$ 11,007,473	\$ 713,924	\$ (349,042)	\$ -	\$ 11,372,355

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
General obligation bonds	\$ 7,527,821	\$ -	\$ 335,741	\$ 7,192,080
State Literary Fund loans	7,103,228		476,418	6,626,810
Total general long-term indebtedness	14,631,049		812,159	13,818,890
Accrued compensated absences	185,582	2,121		187,703
Total general long-term obligations	\$ 14,816,631	\$ 2,121	\$ 812,159	\$ 14,006,593

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

General Obligation Bonds	issue Date	Final Maturity Date	interest Rates	Interest Due Dates	Amount Authorized and Issued	Bonded Debt Outstanding July 1, 1999	Principal Paid 1999-2000	Bonding Debt Outstanding June 30, 2000	Maturities Due 2000-2001
Schools	12/15/89	12/15/09	6.85%, 7.20%	12/15, 6/15	\$ 1,500,000	\$ 760,000	\$ 90,000	\$ 670,000	\$ 65,000
City	03/22/94	01/01/16	3.90%, 5.375%	7/1, 1/1	4,900,000	4,615,000	150,000	4,465,000	195,000
Schools	11/19/98	07/15/18	3.60%, 5.10%	7/15, 1/15	650,000	650,000	35,000	615,000	35,000
City	12/29/98	03/01/16	4.50%	3/1, 9/1	1,546,415	1,502,821	60,741	1,442,080	63,473
					<u>\$ 8,596,415</u>	<u>\$ 7,527,821</u>	<u>\$ 335,741</u>	<u>\$ 7,192,080</u>	<u>\$ 358,473</u>

CITY OF POQUOSON, VIRGINIA

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

June 30.2000

ASSETS AND OTHER DEBITS	Governmental Fund Types		Fiduciary Fund types Agency	Account Groups		Total (Memorandum Only)
	General	Special Revenue		General Fixed Assets	General Long-term Obligations	
Assets						
Cash and cash equivalents	\$ 1,348,277	\$ 28,824	\$ 251,732	\$ -	\$ -	\$ 1,628,833
Due from other governmental units	46 1,020					461,020
Inventory		7,877				7,877
Fixed assets				19,442,393		19,442,393
Other debits						
Amount to be provided for retirement of general long-term obligations	-				682,733	682,733
Total assets and other debits	\$ 1,809,297	\$ 36,701	\$ 251,732	\$ 19,442,393	\$ 682,733	\$ 22,222,856
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities						
Accounts payable and accrued liabilities	\$ 1,506,495	\$ -	\$ -	\$ -	\$ -	\$ 1,506,495
Accrued compensated absences					67,612	67,612
Due to primary government	117,313		-			117,313
Amounts held for others			25 1,732			251,732
Deferred revenues	29,351					29,351
VRS early retirement pension liability			-	-	615,121	615,121
Total liabilities	1,653,159		251,732		682,733	2,587,624
Equity and other credits						
Investment in general fixed assets				19,442,393		19,442,393
Fund balances:						
Reserved for encumbrances	156,138	-		-		156,138
Reserved for inventory		7,877				7,877
Unreserved and undesignated		28,824				28,824
Total equity and other credits	156,138	36,701		19,442,393		19,635,232
Total liabilities, equity and other credits	\$ 1,809,297	\$ 36,701	\$ 251,732	\$ 19,442,393	\$ 682,733	\$ 22,222,856

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	General Fund	Special Revenue	T o t a l Component Unit
Revenue			
Revenue from use of money and property	\$ -	\$ 231	\$ 231
Charges for services	17,340	313,686	331,026
Intergovernmental:			
Commonwealth of Virginia	8,182,974	8,040	8,191,014
Federal government	464,600	39,103	503,703
Miscellaneous	121,741	7,224	128,965
Total revenue	8,786,655	368,284	9,154,939
Expenditures			
Current:			
Education	13,736,897	412,802	14,149,699
Capital outlays	57,532		57,532
Debt service:			
VRS early retirement pension liability	66,083		66,083
Total expenditures	13,860,512	412,802	14,273,314
Deficiency of revenue over expenditures	(5,073,857)	(44,518)	(5,118,375)
Other financing sources (uses)			
Operating transfers from primary government	5,596,537		5,596,537
Operating transfers to primary government	(531,037)		(531,037)
Operating transfers in - general fund		53,233	53,233
Operating transfers out - special revenue fund	(53,233)		(53,233)
Total other financing sources	5,012,267	53,233	5,065,500
(Deficiency) excess of revenue and other financing sources over expenditures and other financing uses	(61,590)	8,715	(52,875)
Fund balances - July 1, 1999	217,728	27,986	245,714
Fund balances - June 30, 2000	\$ 156,138	\$ 36,701	\$ 192,839

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue			
Charges for services	\$ 43,525	\$ 17,340	\$ (26,185)
Intergovernmental:			
Commonwealth of Virginia	7,738,061	8,182,974	444,913
Federal government	569,741	464,600	(105,141)
Miscellaneous	109,539	121,741	12,202
Total revenue	8,460,866	8,786,655	325,789
Expenditures			
Current:			
General and financial administration	632,743	631,100	1,643
Instruction	8,658,394	8,598,661	59,733
Attendance and health services	188,383	182,999	5,384
Pupil transportation	429,077	444,974	(15,897)
Operation and maintenance of school plants	1,184,714	1,203,298	(18,584)
Fixed charges	2,254,360	2,171,211	83,149
Capital outlay	56,537	56,537	
State and federal programs	528,055	444,059	83,996
Debt service	66,090	66,083	7
Total expenditures	13,998,353	13,798,922	199,431
Deficiency of revenue over expenditures - budgetary basis	(5,537,487)	(5,012,267)	525,220
Other financing sources (uses)			
Operating transfers in - primary government	5,596,537	5,596,537	
Operating transfers out - primary government		(531,037)	(531,037)
Operating transfer out - special revenue fund	(59,050)	(53,233)	5,817
Total other financing sources	5,537,487	5,012,267	(525,220)
Deficiency of revenue and other financing sources over expenditures and other financing uses - budgetary basis	\$ -	\$ -	
Less -encumbrances outstanding June 30, 1999, actually expended as of June 30, 2000		(217,728)	
Add -encumbrances outstanding June 30, 2000		<u>156,138</u>	
Deficiency of revenue and other financing sources over expenditures and other financing uses - GAAP basis		(61,590)	
Fund balance -July 1, 1999		<u>217,728</u>	
Fund balance -June 30, 2000		\$ 156,138	

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

C/N OF POQUOSON, VIRGINIA**COMBINING BALANCE SHEETS -AGENCY FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD****Year Ended June 30, 2000**

Assets	Instructional support	School Activities	Total
Cash and cash equivalents	\$ 31,863	\$ 219,869	\$ 251,732
Liabilities			
Amounts held for others	\$ 31.863	\$ 219.869	\$ 251,732

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

CIN OF POQUOSON, VIRGINIA**COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD****Year Ended June 30, 2000**

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
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Instructional support**Assets**

Cash and cash equivalents	\$ 24,826	\$ 46,273	\$ 39,236	\$ 31,863
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Liabilities

Amounts held for others	\$ 24,826	\$ 46,273	\$ 39,236	\$ 31,863
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School activities**Assets**

Cash and cash equivalents	\$ 225,032	\$ 672,651	\$ 677,814	\$ 219,869
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Liabilities

Amounts held for others	\$ 225,032	\$ 672,651	\$ 677,814	\$ 219,869
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Total - All Agency Funds**Assets**

Cash and cash equivalents	\$ 249,858	\$ 718,924	\$ 717,050	\$ 251,732
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Liabilities

Amounts held for others	\$ 249,858	\$ 718,924	\$ 717,050	\$ 251,732
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The accompanying notes are an integral part of these financial statements.

C/N OF POQUOSON, VIRGINIA

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

June 30, 2000

General fixed assets

Land	\$ 243,223
Buildings and structures	16,417,745
Machinery and equipment	2,645,998
Construction in progress	<u>135,427</u>

Total general fixed assets	\$ <u>19,442,393</u>
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Investment in general fixed assets by source

Fixed assets acquired prior to July 1, 1999	\$ 19,125,343
Fixed assets acquired after June 30, 1999:	
From federal grants	19,975
From state grants	89,236
from city grants	<u>207,839</u>

Total investment in general fixed assets	\$ <u>19,442,393</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF POQUOSON, VIRGINIA

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

June 30, 2000

	Land	Buildings and Structures	Machinery and Equipment	Construction in Progress	Total
Education	\$ 243,223	\$ 16,417,745	\$ 2,645,998	\$ 135,427	\$ 19,442,393

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	General Fixed Assets July 1, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Education	\$ 19,159,338	\$ 317,050	\$ 33,995	\$ 19,442,393

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

CITY OF POQUOSON, VIRGINIA

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

Year Ended June 30, 2000

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Accrued compensated absences	\$ 66,700	\$ 912	\$ -	\$ 67,612
VRS early retirement pension liability	630,744		15,623	615,121
Total general long-term obligations	\$ 697,444	\$ 912	\$ 15,623	\$ 682,733

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

GOVERNMENTAL FUNDS

PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL (NON GAAP BASIS)

Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Primary government			
General fund:			
Revenue from local sources:			
General property taxes:			
Real property taxes	\$ 7,150,000	\$ 7,224,688	\$ 74,688
Public service corporation property taxes	140,000	165,801	25,801
Personal property taxes	1,625,875	1,735,218	109,343
Penalties and interest	110,000	121,978	11,978
Total general property taxes	9,025,875	9,247,685	221,810
Other local taxes:			
Sales and use taxes	312,000	343,158	31,158
Meals taxes	190,000	236,955	46,955
Consumers' utility taxes	390,000	436,602	46,602
E-91 1 telephone taxes	162,000	163,127	1,127
Business license taxes	209,000	235,019	26,019
Franchise license taxes	66,000	56,017	(9,983)
Motor vehicle license taxes	252,000	262,054	10,054
Bank stock taxes	34,000	36,104	2,104
Recordation and wills taxes	92,000	103,588	11,588
Deeds of conveyance	14,000	17,803	3,803
Total other local taxes	1,721,000	1,890,427	169,427
Permits, privilege fees and regulatory licenses:			
Animal licenses	3,000	2,534	(466)
Permits and other licenses	80,000	97,660	17,660
Total permits, privilege fees and regulatory licenses	83,000	100,194	17,194
Fines and forfeitures	27,900	35,957	8,057
Revenue from use of money and property:			
Revenue from use of money	140,000	161,243	21,243
Revenue from use of property	29,300	47,300	18,000
Total revenue from use of money and property	169,300	208,543	39,243
Charges for services:			
Charges for sanitation and waste removal	12,817	12,185	(632)
Charges for library and fees	15,000	16,175	1,175
Total charges for services	27,817	28,360	543
Miscellaneous revenue:			
Miscellaneous	7,384	18,390	11,006
Donations	4,270	4,320	50
Total miscellaneous revenue	11,654	22,710	11,056
Total revenue from local sources	11,066,546	11,533,876	467,330

GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL (NON GAAP BASIS)

Year Ended June **30, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Primary government (Continued)			
General fund: <i>(Continued)</i>			
Revenue from the Commonwealth			
Noncategorical aid:			
ABC profits	\$ 24,000	\$ 33,898	\$ 9,898
Wine taxes	11,024	16,651	5,627
Mobile home titling taxes	5,300	6,177	877
Rolling stock tax	11	13	2
Personal property tax relief	609,125	667,497	58,372
Total noncategorical aid	649,460	724,236	74,776
Categorical aid:			
Shared expenses:			
Commissioner of the Revenue	89,368	87,787	(1,581)
Treasurer	98,273	98,562	289
Registrar/electoral board	37,704	41,257	3,553
Total shared expenses	225,345	227,606	2,261
Other categorical aid:			
State 599 police funds	225,022	225,022	
Juvenile crime	29,265	17,129	(12,136)
Fire program fund	15,333	14,167	(1,166)
Fire software grant	6,594	9,755	3,161
Street and highway maintenance	565,000	565,000	
Litter control	5,417	5,417	
Library	86,536	86,536	
Emergency medical services	6,800	6,905	105
COPS Fast Matching	16,539	16,539	
Miscellaneous	3,505	3,507	2
Comprehensive services	105,000	78,151	(26,849)
Total other categorical aid	1,065,011	1,028,128	(36,883)
Total categorical aid	1,290,356	1,255,734	(34,622)
Total revenue from the Commonwealth	1,939,816	1,979,970	40,154
Revenue from the federal government:			
Miscellaneous	45,860	50,470	4,610
Total revenue - primary government	\$ 13,052,222	\$ 13,564,316	\$ 512,094

Component Unit - School Board

General fund:

Revenue from local sources:

Charges for services:

Charges for education

Miscellaneous revenue

Total revenue from local sources

\$ 43,525	\$ 17,340	\$ (26,185)
109,539	121,741	12,202
153,064	139,081	(13,983)

GOVERNMENTAL FUNDS**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL (NON GAAP BASIS)****Year Ended June 30.2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Component Unit - School Board (Continued)			
General fund: (Continued)			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 1,484,799	\$ 1,449,827	\$ (34,972)
Basic school aid	4,636,279	4,734,223	97,944
Gifted and talented children	52,748	53,600	852
Special education	329,747	334,622	4,875
Vocational education	74,755	68,739	(6,016)
Social security	258,744	262,396	3,652
Teacher retirement	302,827	307,141	4,314
Teacher training	54,360	25,602	(28,758)
Other - education	71,532	64,871	(6,661)
Other	192,976	187,814	(5,162)
Remedial funds	91,478	63,856	(27,622)
Lottery funds	155,847	326,328	170,481
SOL incentive	31,969	32,485	516
School construction	-	271,470	271,470
Total revenue from the Commonwealth	7,738,061	8,182,974	444,913
Revenue from the federal government:			
Categorical aid:			
Title I	61,686	51,789	(9,897)
Title II	13,518	3,039	(10,479)
Title VI	11,296	7,531	(3,765)
Title III of P.L. 95-561 (formerly P.L. 874)	70,000	97,176	27,176
School food programs	59,050	50,896	(8,154)
Vocational education	16,847	16,457	(390)
Title VI-B	189,021	131,595	(57,426)
Other federal funds	80,903	49,180	(31,723)
Drug abuse grant	9,010	9,002	(8)
Technology literacy challenge grant	58,410	47,935	(10,475)
Total revenue from the federal government	569,741	464,600	(105,141)
Total revenue - Component Unit - School Board	\$ 8,460,866	\$ 8,786,655	\$ 325,789

GOVERNMENTAL FUNDS**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BASIS)****Year Ended June 30, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government			
General fund:			
General government administration:			
Legislative - City Council	\$ 54,482	\$ 54,477	\$ 5
General and financial administration:			
City manager	217,229	216,891	338
Legal services	89,400	84,985	4,415
Independent auditor	18,300	18,300	
Commissioner of the Revenue	159,888	154,784	5,104
Assessor/equalization board	113,901	113,029	872
Treasurer	200,904	200,892	12
Finance	191,197	189,375	1,822
Risk management	23,570	22,307	1,263
Total general and financial administration	1,014,389	1,000,563	13,826
Board of elections - electoral board and registrar	96,866	96,257	609
Total general government administration	1,165,737	1,151,297	14,440
Public safety:			
General district court	55,456	55,455	1
Clerk of the circuit court	(2,888)	(2,888)	
Sheriff	44,649	44,649	
Building maintenance	32,880	32,880	
Total judicial administration	130,097	130,096	1
Law enforcement and traffic control - police department	1,287,104	1,286,871	233
Fire and rescue services - fire department	1,319,350	1,317,993	1,357
Correction and detention - county and regional operated institutions	88,192	84,871	3,321
Inspections - various	106,710	105,824	886
Other protection - animal control	42,000	42,000	
Total public safety	2,973,453	2,967,655	5,798

GOVERNMENTAL FUNDS

PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BASIS)

Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government (Continued)			
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering/administration	\$ 206,366	\$ 205,775	\$ 591
Highways, streets, bridges and sidewalks	618,335	612,083	6,252
Street lights	53,280	50,977	2,303
Total maintenance of highways, streets, bridges and sidewalks	877,981	868,835	9,146
Maintenance of general buildings and grounds	82,800	75,199	7,601
Total public works	960,781	944,034	16,747
Health and welfare:			
Health:			
Local health department	40,675	40,675	
Mosquito control	139,400	131,701	7,699
Total health	180,075	172,376	7,699
Mental health and mental retardation - mental health	95,496	86,025	9,471
Welfare:			
Social services	88,331	96,320	(7,989)
Comprehensive services	150,000	93,655	56,345
Total welfare	238,331	189,975	48,356
Total health and welfare	513,902	448,376	65,526
Parks, recreation and cultural - supervision of parks and recreation	235,254	235,252	2
Library - administration	427,426	427,424	2
Total parks, recreation and cultural	662,680	662,676	4
Community development:			
Planning	151,762	147,047	4,715
Economic development	12,418	12,417	1
Community development	119,341	106,020	13,321
Total community development	283,521	265,484	18,037
Nondepartmental - miscellaneous	43,000	42,113	887
Total general fund expenditures	\$ 6,603,074	\$ 6,481,635	\$ 121,439

GOVERNMENTAL FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BASIS)

Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
School Operating Fund			
Education:			
Administration of schools:			
School board	\$ 5,253	\$ 5,097	\$ 156
School superintendent	83,000	85,667	(2,667)
School administration	221,518	213,768	7,750
Office support	163,454	165,901	(2,447)
Leases and rentals	30,385	28,523	1,862
Other	129,133	132,144	(3,011)
Total administration of schools	632,743	631,100	1,643
Instruction costs:			
Elementary and secondary schools	8,545,685	8,473,444	72,241
Summer schools	13,978	17,931	(3,953)
Other educational programs	98,731	107,286	(8,555)
Total instruction costs	8,658,394	8,598,661	59,733
Operating costs:			
Attendance and health services	188,383	182,999	5,384
Pupil transportation	429,077	444,974	(15,897)
Operating and maintenance of school plants	1,184,714	1,203,298	(18,584)
Fixed charges	2,254,360	2,171,211	83,149
Total operating costs	4,056,534	4,002,482	54,052
Capital outlays	56,537	56,537	
Total education	13,404,208	13,288,780	115,428
State and federal programs:			
Title I	137,684	133,049	4,635
Title VI	11,296	1,207	10,089
Title VI-B	235,840	171,046	64,794
Gifted and talented	133,393	129,795	3,598
Drug abuse grant	9,842	8,962	880
Total state and federal programs	528,055	444,059	83,996
Debt service:			
VRS early retirement pension liability	66,090	66,083	7
Total school operating fund expenditures	\$ 13,998,353	\$ 13,798,922	\$ 199,431

CITY OF POQUOSON, VIRGINIA**SCHEDULE OF TREASURER'S ACCOUNTABILITY****June 30, 2000****Assets held by the Treasurer**

Cash on hand	\$ 2,181
Cash in banks:	
Checking:	
First Virginia Bank of Tidewater	(395,792)
Wachovia Bank	(210,888)
Savings:	
First Virginia Bank of Tidewater	69,911
Money market funds:	
Langley Federal Credit Union	9
Repurchase agreement:	
First Virginia Bank of Tidewater	715,000
Wachovia Bank	1,058,975
Local Government Investment Pool (LGIP)	5,457,994

Total assets**\$ 6,697,390****Liabilities of the Treasurer**

Balance of city and school funds	\$ 6,697,390
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Total liabilities**\$ 6,697,390****Cash, cash equivalents and investments (per Exhibit 1)****\$ 7,276,744**

Less: Cash held by Crestar Bank	298,798
Cash held by School Activity Funds	219,869
Cash held by School Food Service Fund	31,863
Cash held by Poquoson Instructional Support	28,824
	<u>579,354</u>

Balance of city and school funds**\$ 6,697,390**

Note: This schedule does not include the cash balances of the Special Revenue Fund or the Agency Funds of the Component Unit accounts of \$31,863 and \$248,693, respectively, since the Treasurer of the City of Poquoson does not have custody over this cash.

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF TREASURER'S ACCOUNTABILITY
ALL CITY FUNDS

Year Ended June 30, 2000

	Governmental Funds			Proprietary Funds		Agency Fund	School Board	Industrial Development Authority	Total (Memorandum Only)
	General	Debt Service	Capital Projects	Enterprise	Internal Service	Library			
Balance -July 1, 1999	\$ 4,916,805	\$ -	\$ -	\$ 811,525	\$ -	\$ 48,757	\$ 1,359,197	\$ -	\$ 7,136,284
Receipts (net)									
General property taxes	9,202,122		-	-					9,202,122
Other local taxes	1,889,510		-	-					1,889,510
Permits, privilege fees and regulatory licenses	100,194		-	-					100,194
Fines and forfeitures	35,957								35,957
Revenue from use of money and property	208,543			274,703		2,858			486,104
Charges for services	28,360			1,565,581	499,907		17,340		2,111,188
Festivals				66,784					66,784
Intergovernmental	2,246,258		243,418		-		8,550,791		11,040,467
Proceeds from bonds				13,386,531					13,386,531
Miscellaneous	22,710			4,282		1,000	125,983		153,975
Total receipts	13,733,654		243,418	15,297,881	499,907	3,858	8,694,114		38,472,832
Total receipts and balance	18,650,459		243,418	16,109,406	499,907	52,615	10,053,311		45,609,116
Disbursements (net)									
Warrants (checks) issued	7,817,734		312,861	5,452,447	499,907	1,000	13,709,375	253,743	28,047,071
Retirement of indebtedness		812,159		8,887,215			15,623		9,714,997
Interest and other debt costs		601,314		444,651			50,460		1,096,425
Total disbursements	7,817,734	1,413,473	312,861	14,784,313	499,907	1,000	13,775,462	253,743	38,858,493
Balance before transfers	10,832,725	(1,413,473)	(69,443)	1,325,093		51,615	(3,722,151)	(253,743)	6,750,623
Interfund transfers									
Transfers in	457,030	1,413,473	670,946	134,000			595,965	253,743	8,525,729
Transfers out	(7,659,109)		(253,744)	(140,000)			(526,109)		(8,578,962)
Balance -June 30, 2000	\$ 3,630,646	\$ -	\$ 347,759	\$ 1,319,093	\$ -	\$ 51,615	\$ 1,348,277		\$ 6,697,390

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

CITY OF POQUOSON, VIRGINIA**SCHEDULE OF TREASURER'S ACCOUNTABILITY TO THE COMMONWEALTH****Year Ended June 30, 2000**

	Balance July 1, 1999	Collections	Remittances	Balance June 30, 2000
2000 Taxes				
Estimated income taxes	\$ -	\$ 320,196	\$ 319,536	\$ 660
1999 Taxes				
Taxable year income taxes		503,061	503,061	
Estimated income taxes		481,064	481,064	
1998 Taxes				
Taxable year income taxes		19,627	19,627	
1997 Taxes				
Taxable year income taxes				
Other collections				
Penalties		1,237	1,237	
Interest		165	165	
Total	\$ -	\$ 1,325,350	\$ 1,324,690	\$ 660

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

CITY OF POQUOSON, VIRGINIA**COMPUTATION OF LEGAL DEBT MARGIN****Year Ended June 30, 2000****Total assessed value of taxed real property**

General	\$ 647,091,321
Public service corporations	<u>14,038,764</u>
Total	<u>\$ 661,130,085</u>

Debt limit (10% of total assessed value)\$ 66,113,009**Debt applicable to debt limit**

General obligation bonds, other than those authorized for a specific revenue producing project	7,192,080
State literary fund loans	6,626,810
VRS early retirement pension liability	<u>615,121</u>
	<u>14,434,011</u>

Margin for additional borrowing\$ 51,678,998

CITY OF POOUOSON, VIRGINIA

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

Years Ended June 30.

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Fees and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Revenues From Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered costs</u>	<u>Inter-governmental</u>	<u>Total</u>
2000	\$9,247,685	\$1,890,427	\$100,194	\$35,957	\$208,774	\$359,386	\$151,675	\$0	\$10,950,626	\$22,944,724
1999	\$9,364,276	\$1,825,575	\$107,561	\$36,062	\$307,428	\$239,137	\$168,112	\$0	\$9,831,553	\$21,879,704
1998	\$8,995,589	\$1,671,810	\$94,133	\$23,081	\$408,521	\$285,782	\$137,800	\$0	\$8,794,214	\$20,410,930
1997	\$8,850,776	\$1,632,564	\$86,424	\$37,324	\$311,902	\$285,666	\$176,700	\$0	\$8,549,493	\$19,930,849
1996	\$8,216,988	\$1,568,265	\$86,190	\$28,645	\$344,660	\$284,952	\$108,003	\$0	\$8,031,850	\$18,669,553
1995	\$8,089,248	\$1,476,909	\$99,207	\$36,579	\$352,718	\$292,440	\$115,006	\$6,445	\$8,050,648	\$18,519,200
1994	\$7,041,541	\$1,274,871	\$85,736	\$20,057	\$83,974	\$354,996	\$129,471	\$14,078	\$7,975,631	\$16,980,355
1993	\$7,075,565	\$1,188,590	\$69,006	\$23,169	\$90,270	\$334,433	\$148,847	\$10,722	\$7,401,981	\$16,342,583
1992	\$5,724,503	\$1,158,353	\$60,427	\$15,063	\$79,741	\$603,345 (1)	\$36,800	\$16,531	\$7,098,973	\$14,793,736
1991	\$5,666,496	\$1,107,601	\$86,072	\$13,235	\$111,826	\$573,221 (1)	\$41,138	\$7,716	\$7,199,216	\$14,806,521

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

(1) Amounts include solid waste

CITY OF POQUOSON, VIRGINIA

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

Years Ended June 30,

Fiscal Year	General Governmental Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Non-Departmental	Capital Outlay	Debt Service	Total
2000	\$1,149,086	\$2,943,894	\$983,878	\$448,376	\$14,149,699	\$663,220	\$262,813	\$44,668	\$1,471,535	\$1,479,556	\$23,596,725
1999	\$1,059,566	\$2,708,722	\$868,873	\$440,107	\$13,244,386	\$637,317	\$244,481	\$45,541	\$3,898,984	\$1,428,956	\$24,576,933
1998	\$993,642	\$2,426,352	\$824,541	\$508,481	\$12,347,618	\$578,141	\$190,300	\$31,250	\$4,832,525	\$1,031,993	\$23,764,843
1997	\$906,797	\$2,269,253	\$850,212	\$416,236	\$11,985,078	\$527,120	\$158,661	\$35,630	\$5,299,946	\$1,039,044	\$23,487,977
1996	\$1,072,473	\$2,090,540	\$718,852	\$336,066	\$11,559,038	\$463,106	\$152,679	\$45,005	\$1,755,324	\$964,882	\$19,157,965
1995	\$973,735	\$1,914,373	\$723,404	\$394,437	\$10,838,127	\$438,282	\$182,145	\$45,245	\$1,737,494	\$1,100,303	\$18,347,545
1994	\$953,180	\$1,849,531	\$707,658	\$322,323	\$10,584,874	\$400,280	\$150,534	\$24,936	\$1,594,625	\$814,821	\$17,402,762
1993	\$876,683	\$1,785,494	\$677,972	\$249,439	\$9,879,115	\$377,761	\$192,136	\$34,850	\$342,339	\$818,036	\$15,233,825
1992	\$876,017	\$1,666,926	\$1,019,832 (1)	\$226,919	\$9,316,408	\$364,000	\$159,373	\$55,831	\$385,105	\$1,404,661	\$15,475,072
1991	\$876,468	\$1,655,891	\$971,492 (1)	\$208,273	\$9,538,945	\$334,725	\$120,199	\$45,427	\$842,082	\$805,537	\$15,399,039

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

(1) Amounts include solid waste.

CITY OF POOUOSON, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED
Years Ended June 30.

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections (1) (2)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent (Taxes)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2000	\$9,287,339	\$8,985,622	96.75%	\$140,085	\$9,125,707	98.26%	\$161,632	1.74%
1999	\$9,447,775	\$8,979,383	95.04%	\$285,420	\$9,264,803	98.06%	\$182,972	1.94%
1998	\$8,913,085	\$8,511,426	95.49%	\$329,808	\$8,841,234	99.19%	\$71,851	0.81%
1997	\$8,932,859	\$8,536,177	95.56%	\$333,993	\$8,870,170	99.30%	\$62,689	0.70%
1996	\$8,369,492	\$8,093,042	96.70%	\$138,023	\$8,231,065	98.35%	\$138,427	1.65%
1995	\$8,089,471	\$7,609,147	94.06%	\$349,772	\$7,958,919	98.39%	\$130,552	1.61%
1994	\$7,132,498	\$6,631,907	92.98%	\$311,021	\$6,942,928	97.34%	\$189,570	2.66%
1993	\$7,372,939	\$6,821,287	92.52%	\$147,448	\$6,968,735	94.52%	\$404,204	5.48%
1992	\$5,842,831	\$5,551,031	95.01%	\$111,610	\$5,662,641	96.92%	\$180,190	3.08%
1991	\$5,783,748	\$5,507,263	95.22%	\$92,636	\$5,599,899	96.82%	\$183,849	3.18%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

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

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utility Real Property</u>	<u>Total</u>
2000	\$647,091,321	\$71,338,462	\$14,038,764	\$732,468,547
1999	\$634,147,446	\$67,301,706	\$12,506,485	\$713,955,637
1998	\$586,329,508	\$60,695,776	\$11,986,052	\$659,011,336
1997	\$573,426,552	\$56,676,120	\$11,059,900	\$641,162,572
1996	\$526,576,600	\$54,717,549	\$10,941,642	\$592,235,791
1995	\$519,553,565	\$49,737,967	\$10,029,639	\$579,321,171
1994	\$479,545,983	\$44,305,479	\$9,913,738	\$533,765,200
1993	\$474,783,691	\$38,031,244	\$9,348,821	\$522,163,756
1992	\$456,653,735	\$38,684,730	\$9,032,429	\$504,370,894
1991	\$457,894,935	\$37,636,696	\$9,162,224	\$504,693,855

CITY OF POQUOSON, VIRGINIA**PROPERN TAX RATES (PER \$100 OF ASSESSED VALUE)****LAST TEN FISCAL YEARS - UNAUDITED****Years Ended June 30.**

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Recreational Vehicles</u>	<u>Boats</u>
2000	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
1999	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
1998	\$1.12	\$3.85	\$1.12	\$1.50	\$1.50
1997	\$1.12	\$ 4.50/3.85 (1)	\$1.12	\$1.50	\$1.50
1996	\$1.12	\$4.50	\$1.12	\$ 4.50/1.50 (3)	\$1.50
1995	\$1.12	\$4.50	\$1.12	\$4.50	\$1.50
1994	\$1.07	\$4.50	\$1.07	\$4.50	\$1.50
1993	\$1.02	\$4.50	\$1.02	\$4.50	\$1.50
1992	\$0.92	\$4.50	\$ 92/1.02 (2)	\$4.50	\$1.50
1991	\$0.92	\$4.50	\$0.92	\$4.50	\$1.50

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

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

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

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

Years Ended June 30.					
<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Net Bonded Debt (2)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2000	11,005	\$732,468,547	\$13,818,890	1.89%	\$1,256
1999	11,005	\$705,056,125	\$14,631,049	2.08%	\$1,329
1998	11,005	\$653,311,450	\$14,758,832	2.26%	\$1,341
1997	11,005	\$636,853,688	\$15,244,732	2.39%	\$1,385
1996	11,005	\$587,992,204	\$8,389,503	1.43%	\$762
1995	11,005	\$578,238,966	\$8,864,126	1.53%	\$805
1994	11,005	\$530,065,864	\$9,687,840	1.83%	\$880
1993	11,005	\$522,163,756	\$4,817,481	0.92%	\$438
1992	11,005	\$504,370,894	\$5,327,275	1.06%	\$484
1991	11,005	\$504,693,855	\$5,831,360	1.16%	\$530

(1) Source: 1990 United States Census.

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

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

Years Ended June 30,			
<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service (1)</u>	<u>Percentage of Debt Service to Expenditures</u>
2000	\$23,596,725	\$1,479,556	6.27%
1999	\$24,576,933	\$1,428,956	5.81%
1998	\$23,764,843	\$1,031,993	4.34%
1997	\$23,487,977	\$1,039,044	4.42%
1996	\$19,157,965	\$964,882	5.04%
1995	\$18,347,545	\$1,100,303	6.00%
1994	\$17,402,762	\$814,821	4.68%
1993	\$15,233,825	\$818,036	5.37%
1992	\$15,475,072	\$1,404,661	9.08%
1991	\$15,399,039	\$805,537	5.23%
1990	\$15,017,773	\$742,311	4.94%

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

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2000	11,005	Not Available	2,474	Not Available
1999	11,005	Not Available	2,485	2.5%
1998	11,005	Not Available	2,481	2.2%
1997	11,005	\$24,008	2,524	2.9%
1996	11,005	\$23,044	2,445	2.9%
1995	11,005	\$22,572	2,460	3.0%
1994	11,005	\$22,017	2,320	3.3%
1993	11,005	\$21,524	2,395	3.1%
1992	11,005	\$21,214	2,330	3.7%
1991	11,005	\$20,665	2,319	3.4%

(1) Source: 1990 United States Census.

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

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

(4) Source: Virginia Employment Commission. Data is an annual average except 1991, which is for September 1991.

CIN OF POQUOSON, VIRGINIA**PROPERN VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS - UNAUDITED****Years Ended June 30,**

<u>Fiscal Year</u>	<u>Real Property Value (1)</u>	<u>New Construction (2)</u>	<u>Bank Deposits (3)</u>
2000	\$696,175,556	\$13,224,500	Not Available
1999	\$682,115,739	\$9,449,000	Not Available
1998	\$621,978,401	\$11,287,400	Not Available
1997	\$606,262,395	\$8,909,900	\$74,536,000
1996	\$557,804,500	\$6,900,200	\$71,754,000
1995	\$548,889,014	\$5,542,600	\$72,126,000
1994	\$507,703,857	\$5,417,900	\$66,964,000
1993	\$502,027,096	\$4,054,000	\$66,263,000
1992	\$483,035,157	\$5,648,800	\$66,748,000
1991	\$475,826,723	\$4,812,700	\$63,020,000

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

(2) Source: Commissioner of the Revenue, City of Poquoson, (1991-I 996);
City Assessor (1997 - 2000)

(3) Source: Center for Public Service, University of Virginia, (1991-I 994); Federal Reserve
Bank, Richmond (1995-I 997).

CIN OF POQUOSON, VIRGINIA**PRINCIPAL TAXPAYERS****2000 ASSESSED VALUES - UNAUDITED**

Year Ended June 30, 2000		
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Real Estate Assessment</u>
Poquoson Place Apartments	\$ 6,796,800	1.03 %
Suburban Land Company	3,775,300	0.57
Dolores S. Johnson	3,190,600	0.48
David A. Carpenter	2,808,700	0.42
Bristol-Cardiff	2,564,000	0.39
Islander Associates	2,502,400	0.38
Universal of Poquoson	2,241,200	0.34
Vantage Healthcare Corporation	2,092,100	0.32
Carematrix of Dominion Village	1,801,800	0.27
Wachovia Bank	1,664,100	0.25
	<u>\$ 29,437,000</u>	<u>4.45 %</u>

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

June 30, 2000

1. A Short History of Poquoson

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

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

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

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

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

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

2. Form of Government

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

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

**GENERAL INFORMATION AND MISCELLANEOUS STATISTICS
(UNAUDITED)****June 30, 2000****3. Fiscal Year**

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

4. Assessments

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

5. Taxes Due

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

6. Overlapping Debt

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

7. Land Area

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

8. Miles of Roadway

	<u>Miles</u>
Primary	5.01
Secondary	46.75

9. Population

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

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

June 30, 2000

10. Education

	<u>Number of Schools</u>	<u>Average Daily Enrollment (Students)</u>
Primary	1	484
Elementary	1	558
Middle		622
High	1	806

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2000

	Federal Catalogue Number	Federal Expenditures
Federal granting agency/recipient state agency/grant Program/grant number		
U. S. Department of Agriculture:		
Pass through payments:		
Department of Education:		
National School Lunch Program	10.555	\$ 50,897
State Department of Agriculture and Consumer Services:		
National School Lunch Program:		
USDA donated commodities	10.555	39,103
U. S. Department of the Interior:		
Direct payments:		
Payments in lieu of taxes - Public Law		
Number 97-258/(National forest		
acreage in the localities)	15.611	6,347
U. S. Department of Justice:		
Direct payments:		
COPS Grants	16.710	27,223
Asset Forfeiture and Money Laundering Section	16.000	5,019
Department of Labor:		
Pass through payments:		
Commonwealth of Virginia, Office of the Virginia Business Partnership	17.249	16,832
U.S. Department of Transportation:		
Pass through payments:		
Department of Motor Vehicles:		
Alcohol Traffic Safety Incentive	20.601	6,881
Institute of Museum & Library Services:		
Pass through payments:		
The Library of Virginia	45.310	5,000
Department of Education:		
Direct payments:		
School assistance in federally affected areas program	84.041	97,176
Pass through payments:		
Education Consolidation and Improvements Act of 1981:		
Title I:		
Educationally deprived children LEA	84.010 *	51,789
Title VI:		
Improving school programs state block grant	84.298	7,531
Elementary and Secondary Education Act (ESEA):		
Title VI-B:		
Assistance to states for education of handicapped children:		
Special Education grants	84.027 *	128,796
Handicapped preschool incentive grant	84.173	18,315
Vocational education:		
Basic grants to states	84.049	16,457
Special projects:		
Drug-free schools and communities act	84.186	9,001
Technology Literacy Challenge Grant	84.318	42,830
Goals 2000 Educate America Act	84.276	5,105
Virginia Department of Education		
Class size education	84.340	19,871
		<u>\$ 554,173</u>

* Represents a major program of the City of Poquoson.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2000

NOTE 1- BASIS OF PRESENTATION

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

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2000, the food service organization had food commodities totaling \$7,877 in inventory.

* * * * *

GOODMAN & COMPANY, L.L.P.

Certified Public Accountants and Business Consultants

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

The Honorable Mayor and City Council
City of Poquoson, Virginia

We have audited the financial statements of the *City of Poquoson, Virginia*, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 13, 2000 (except for Note 19, as to which the date is October 28, 2000). We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *City of Poquoson's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the *City of Poquoson* in a separate letter dated October 13, 2000.

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

Goodman & Company, L.L.P.

Newport News, Virginia
October 13, 2000

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

The Honorable Mayor and City Council
City of Poquoson, Virginia

Compliance

We have audited the compliance of the *City of Poquoson, Virginia* (the City) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants, applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Hoodman & Company, L.L.P.

Newport News, Virginia
October 13, 2000

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

The Honorable Mayor and City Council
City of Poquoson, Virginia

We have audited the general-purpose financial statements of the ***City of Poquoson, Virginia*** (the City), as of and for the year ended June 30, 2000, and have issued our report thereon dated October 13, 2000 (except for Note 19, as to which the date is October 28, 2000).

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

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

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

Code of Virginia

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

State Agency Requirements

- . Education
 - Comprehensive Youth Services Act
 - Highway Maintenance Funds

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

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

Goodman & Company, L.L.P.

Newport News, Virginia
October 13, 2000

CITY OF POQUOSON, VIRGINIA**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2000

1. SUMMARY OF AUDITORS' RESULTS

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

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

None

C. FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS

None

D. FINDINGS AND QUESTIONED COSTS - STATE PROGRAMS

None

E. RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 1999.