

# Comprehensive Annual Financial Report

City of Poquoson, Virginia

# Fiscal Year Ended June 30, 2012

Prepared by:

The Department of Finance
Theresa S. Owens, CPA, Director of Finance



**Introductory Section** 



# City of Poquoson Government Officials

### **City Council**

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

### **City Officials**

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

### **School Board**

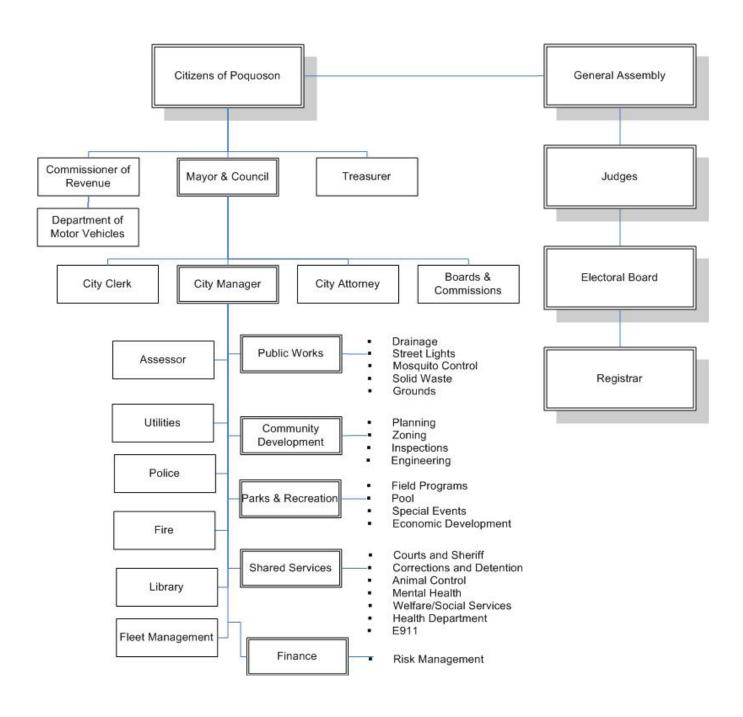
R. Scott Diggs, Chair
Gary W. Carter, Jr., Vice Chair
Robin C. Sydnor
Steven S. Kast
Beth A. Wilson
David A. Hur
Allan Melton

### **School Officials**

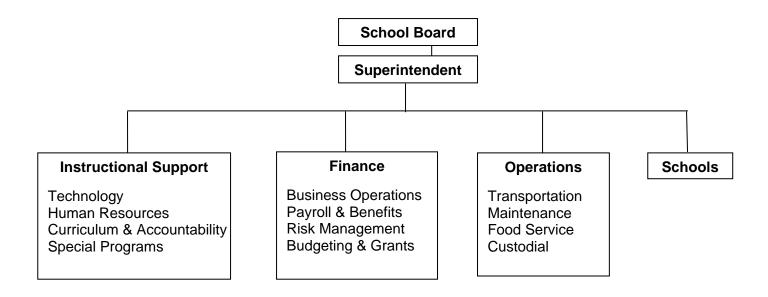
Jennifer Parrish, Ed.D., Superintendent Linda Reviea, Ed.D., Deputy Superintendent Bill Bowen, Executive Director of Business and Finance Steven Pappas, Executive Director of Operations

# CITY OF POQUOSON, VIRGINIA

### CITY GOVERNMENT ORGANIZATION CHART



# Poquoson City Public Schools A Component Unit of the City of Poquoson



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

# City of Poquoson Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

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.

OF THE UNITED STATES AND CANADA CORPORATION S.E.A.I.

Linda C. Dandson President

**Executive Director** 

# City of Poquoson Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

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### **CITY OF POQUOSON**

City Manager's Office

500 City Hall Avenue, Poquoson, Virginia 23662-1996 (757)868-3000 Fax (757)868-3101

December 4, 2012

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson (City) for the fiscal year ended June 30, 2012. An audited annual financial report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

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

Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants, have issued an unqualified opinion on the City's financial statements for the year ended June 30, 2012. The unqualified report of Cherry, Bekaert & Holland, L.L.P., the highest possible result of the audit process, is located at the front of the financial section of this report.

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

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

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

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

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

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

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

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

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

#### **Local Economy**

The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27<sup>th</sup> largest metropolitan statistical area in the country. The City of Poquoson is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles, and serves an estimated population of 12,240.

Although the City continues to feel the impact of the national and state economic downturns, the City's unemployment rate has decreased slightly from the high of 6% in 2010 to a current rate of 5.5%. This is well below the current national average of 8.7% and the state average of 6.1%.

In 2012, the City's existing businesses have invested in the community to include the remodeling of a convenience store and gas pumps and Tropical Smoothie and the construction and opening of the City's first Wendy's, the restaurant Surfrider and other new businesses. The existing marinas have also made improvements to the facilities drawing in more boats and an increase in the customer base.

In March 2012, the City received from Moody's and Standard & Poor inaugural bond rating "Aa3" and "AA+" respectively.

Moody's issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds. The "Aa" rating is the second of nine such ratings and Moody's describes it as "obligation rated Aa are judged to be of high quality and are subject to very low credit risk". Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates the issuer ranks in the high end of its generic category while the modifier 3 indicates a ranking in the lower end the generic category.

Standard & Poor's issues rating ranging from AAA to D to designate the relative investment qualities of bonds. The "AA" is the second major rating category of ten such categories. Standard & Poor describes its "AA" as "an obligation rated AA differs from the highest-rated obligation only to a small degree. The obligor's capacity to meet its

financial commitment on the obligation is very strong. The rating from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories."

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

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

### **Relevant Financial Policies**

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

Using regular financial reports at public meetings, the City recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures.

### **Major Initiatives**

In 2012, the City developed and implemented a comprehensive outreach campaign entitled "Poquoson Is The Place" to increase awareness of Poquoson as a wonderful place to live and in which to do business. The campaign folder cites Poquoson as the place to "Live, Grow, Work, And Play" and provides one-page informational overviews of the City's business-friendly focus, single and multi-family residential availability, community engagement opportunities, and its outstanding public school system. The City hosted both a residential realtor event and a commercial developer event in the City to help kick-off the campaign. Both were met with very positive responses.

Throughout fiscal year 2012, the City of Poquoson adopted several measures to encourage new development throughout the City. The most prominent measures affect the area known as the Big Woods, which consists of approximately 60 forested acres surrounding Victory Boulevard on the north and south and abutting the City line with York County to the west.

In September 2011, the City Council voted unanimously to re-establish a residential component to the City's Village Commercial zoning district. The Village Commercial district concept was developed to establish a mixed use commercial core in the City that would not directly compete with the more intense commercial uses found on the Wythe Creek Road corridor and to make the village commercial concept more financially viable for developers by allowing for more diverse uses.

In January 2012, the City Council voted unanimously to establish a Technology Zone Overlay district. This district allows technology businesses to benefit from a 30% business tax reduction for three (3) years, provided they meet certain eligibility requirements.

In February 2012, the City modified lot area requirements in its Research and Development district. This district, located in the Big Woods promotes campus style research parks. This amendment eliminated the need for a minimum lot area and allows for approximately 30 additional parcels to potentially be developed.

During the fiscal year 2012, the City continued implementing the Sanitation Sewer Evaluation Study plan (SSES) as required in order to be in full compliance with the Hampton Roads-wide consent order on sanitary sewer overflows. The first phase is a three year plan to determine action needing to take place to control sewer overflows. The City will complete this phase of the plan November 2013. Also included in the SSES work was the completion of the hydraulic model of the sanitary sewer system which is used to forecast peak flows during 10-year rain events and to measure performance on the improvements to the system.

During the fiscal year 2011, the City began the planning stages for constructing Phase I of the City's Public Works compound. Construction of the building began in November 2011 and was completed in April 2012.

The City experienced a fire on Thanksgiving Day 2011 and the trailer that houses the administration of public works, utilities and fleet was completely destroyed. In June 2012 the City began construction of a replacement building and by Thanksgiving 2012 the building was completed and occupied by the departments.

In August 2011, Hurricane Irene hit the City and caused damages to properties located within the City. While City property had little damage, services were needed for the citizens. These services included emergency protective measures before, during and after the storm and debris removal. The City qualified for funding from Federal Emergency Management Agency (FEMA) and the Virginia Department of Emergency Management (VDEM). The total cost of the storm was approximately \$245,400. FEMA reimbursed the City approximately \$177,500. The VDEM reimbursement was approximately \$36,800. The remaining costs were the responsibility of the City.

#### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

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

The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Appropriated Budget for FY 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

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

Respectfully submitted,

James RWheeln

James R. Wheeler City Manager

Thura S. Owens

Theresa S. Owens, CPA Director of Finance



**Financial Section** 



#### **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Poquoson, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012 on our consideration of the City of Poquoson, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 16, the budgetary comparison schedule for the general fund on pages 61 through 66, and the schedules of funding progress and employer contributions on pages 67 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Poquoson, Virginia's basic financial statements as a whole. The introductory section, combining and individual non-major fund statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements. The combining and individual non-major fund statements and schedules, and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cherry, Bekant . Holland, J. J. P.

Virginia Beach, Virginia December 4, 2012



# City of Poquoson, Virginia

500 City Hall Avenue Poquoson, Virginia 23662

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

# Management's Discussion and Analysis

Fiscal Year July 1, 2011 - June 30, 2012

As management of the City of Poquoson, we offer readers of the City of Poquoson's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages viii through xiii of this report.

# **Financial Highlights**

- The assets of the City of Poquoson exceeded its liabilities as of June 30, 2012 by \$28.6 million (net assets). Of this amount, \$5.6. million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$0.44 million.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$6.8 million, of which \$5.6 million is available to spend at the City's discretion.
- As of June 30, 2012, unassigned fund balance for the General Fund was \$4.5 million, or 21% of total General Fund expenditures.
- The City of Poquoson's total debt outstanding at June 30, 2012 was \$37.8 million.

## **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Government-Wide Financial Analysis**

Summary of Statement of Net Assets June 30, 2012

	Govern		Busines	• •	<b></b>	
	Activities		Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Current and other assets	\$8,293,755	\$8,187,695	\$906,755	\$897,805	\$9,200,510	\$9,085,500
Capital assets	47,137,877	48,082,237	14,065,825	14,448,633	61,203,702	62,530,870
Total assets	\$55,431,632	\$56,269,932	\$14,972,580	\$15,346,438	\$70,404,212	\$71,616,370
						_
Current and other liabilities	\$2,242,670	\$2.575,831	\$584,643	\$962,030	\$2,827,313	\$3,537,861
Long-term liabilities	30,242,003	30,198,730	8,705,062	8,811,506	38,947,065	38,990,266
Total liabilities	\$32,484,673	\$32,774,561	\$9,289,705	\$9,773,536	\$41,774,378	\$42,528,127
Net assets:						
Invested in capital assets,						
Net of related debt	16,838,143	17,593,261	5,094,194	5,073,709	21,932,337	22,666,970
Restricted	1,037,956	-	-	-	1,037,956	-
Unrestricted	5,070,860	5,902,110	588,681	499,193	5,659,541	6,401,303
Total net assets	\$22,946,959	\$23,495,371	\$5,682,875	\$5,572,902	\$28,629,834	\$29,068,273

Net assets serve as a useful indicator of a government's financial position. The City's combined net assets total \$28.6 million, excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$21.9 million. The City of Poquoson uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net assets of \$5.6 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Governmental Activities.** The government's net assets decreased by \$0.44 million during FY 2012. The governmental activities decreased by \$0.55 million and the business-type activities increased by \$0.11million. The decrease in the governmental activities is due to an increase in depreciation expense on assets purchased in prior years. The increase of the net assets of the business-type activities is due to less than expected expenditures in the Sewer Fund.

# Summary of Changes in Net Assets June 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Revenues:						
Program revenues:						
Charges for services	\$759,166	\$656,645	\$2,476,683	\$2,476,935	\$3,235,849	\$3,133,580
Operating grants and contributions	1,575,285	1,881,297	-	-	1,575,285	1,881,297
Capital grants and contributions	732,846	419,225	-	-	732,846	419,225
General revenues:						
Real estate and personal property						
taxes	18,228,029	18,235,363	-	-	18,228,029	18,235,363
Other local taxes	2,529,995	2,464,223	-	-	2,529,995	2,464,223
Reimbursements from other						
agencies	58,458	75,318	-	-	58,458	75,318
Miscellaneous	196,203	(56,535)	128,520	132,530	324,723	75,995
Gain on disposal of capital assets	-	11,463	-	-	-	11,463
Unrestricted investment earnings	181,274	183,284	32,131	29,476	213,405	212,760
Total revenues	\$24,261,256	\$23,870,283	\$2,637,334	\$2,638,941	\$26,898,590	\$26,509,224
Eymanaasi						
Expenses: General government	3,058,270	2,328,395			3,058,270	2,328,395
Public safety & judicial	6,296,795	6,147,949	-	-	6,296,795	6,147,949
Public works	1,875,113	1,883,380	-	-	1,875,113	1,883,380
Health and welfare	913,826	817,008	-	-	913,826	817,008
Education	9,510,584	9,080,484	-	-	9,510,584	9,080,484
Parks, recreation, cultural	1,248,643	1,224,910	-	-	1,248,643	1,224,910
Community development	567,672	488,893	-	-	567,672	488,893
Interest and fees on long-term debt	1,219,966	1,213,782	-	-	1,219,966	1,213,782
Sewer	1,219,900	1,213,762	1,447,681	2,057,173	1,447,681	2,057,173
Parks and recreation	_	_	455,199	450,025	455,199	450,025
Solid waste	-	-	743,280	791,114	743,280	791,114
Total expenses	24,690,869	23,184,801	2,646,160	3,298,312	27,337,029	26,483,113
Change in net assets before	24,090,009	23,104,001	2,040,100	3,290,312	21,331,029	20,403,113
transfers	(429,613)	685,482	(8,826)	(659,371)	(438,439)	46,081
Transfers	(118,799)	80,400	118,799	(49,200)	(430,439)	31,200
Increase (Decrease) in net assets	(548,412)	765,882	109,973	(708,571)	(438,439)	77,281
Net assets, beginning of year	23,495,371	22,729,489	5,572,902	6,281,473	29,068,273	29,010,962
Net assets, beginning of year Net assets, end of year	\$22,846,959	\$23,495,371	\$5,682,875	\$5,572,902	\$28,629,834	\$29,088,243
rici assets, end of year	<b>Φ44,040,939</b>	<b>Φ43,493,3/1</b>	φ5,004,075	φ3,314,902	<b>Φ40,049,034</b>	<b>Φ49,000,443</b>

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

	FY 2012	FY 2011
Real estate tax revenue	\$13,623,706	\$13,643,196
Public service corporation taxes	188,519	139,840
Personal property taxes	2,394,121	2,357,359
Penalties and interest	154,725	156,516
Total	\$16,361,071	\$16,296,911

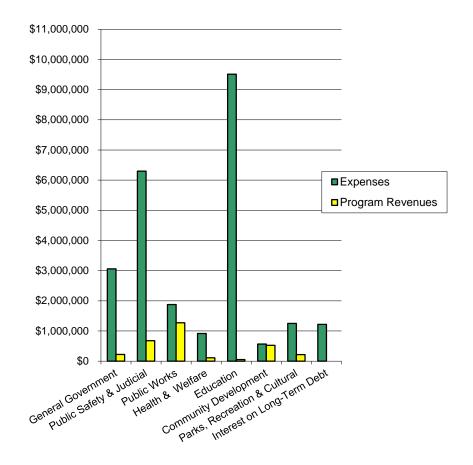
Real estate revenue was about equal in FY 2012 as compared to FY 2011, this was due to a decrease in assessments and the equalization of the tax rate. The City's real estate property tax assessments were \$1,519,389,627 and \$1,728,246,736 for FY 2012 and FY 2011, respectively. The City's real estate tax rate was \$0.92 and \$0.81 per \$100 of assessed value in FY 2012 and FY 2011 respectively.

The City's personal property tax assessments were \$131,995,740 and \$127,720,810 for FY 2012 and FY 2011 respectively. In FY 2012 and FY 2011 the City's personal property tax rate was \$4.15 per \$100 of assessed value for vehicles, \$1.50 per \$100 of assessed value for recreational vehicles and boats and in the first half of FY 2013, \$0.81 per \$100 of assessed value for mobile homes and in the second half \$0.92 per \$100 of assessed value for mobile homes. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was \$1,923,431 for FY 2012 and FY 2011, and is classified as personal property taxes on the statement of activities.

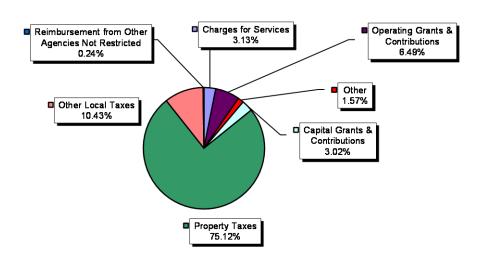
Other local taxes were \$2.5 million for FY 2012 and FY 2011, and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes and a variety of other taxes.

For FY 2012, expenses for governmental activities totaled \$24.7 million, including an expense of \$9.5 million to the component unit, Poquoson City School System. For FY 2011, expenses for governmental activities totaled \$23.2 million, including a net payment of \$9.1 million to the to the component unit, Poquoson City School System.

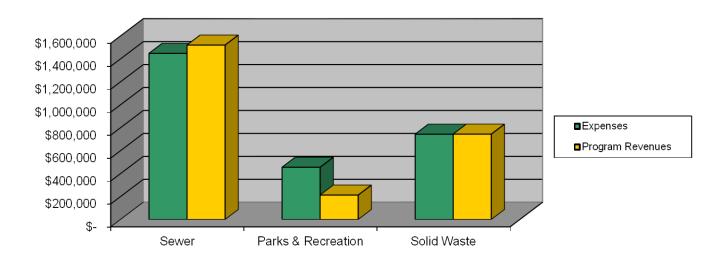
### **Expenses and Program Revenues - Governmental Activities**



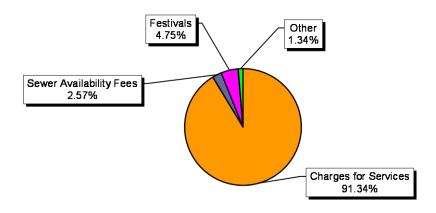
### **Revenues by Sources - Governmental Activities**



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



### **Revenues by Source - Business-Type Activities**

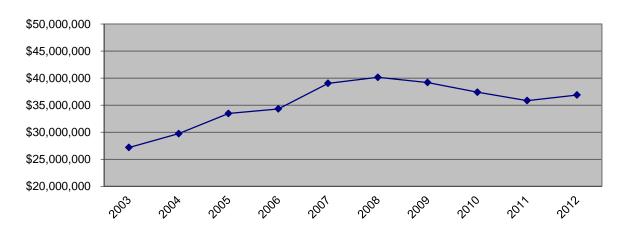


**Business-Type Activities.** Business-type activities decreased the City's net assets before transfers by less than \$10,000 and increased the net assets by \$.11 million after transfers. In order to keep all of the business type activities rates as low as possible, a portion of the fund's net assets have been used and a transfer from the General Fund has been used to offset the deficit.

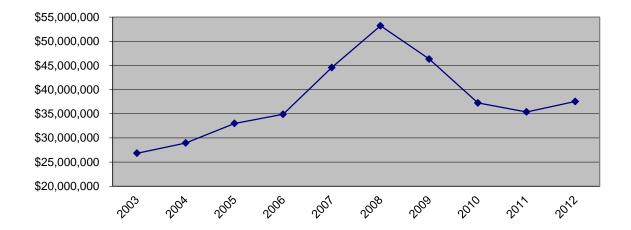
# Financial Analysis of the Government's Funds

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

### **General Governmental Revenues**



# **General Governmental Expenditures**



### **General Fund Budgetary Highlights**

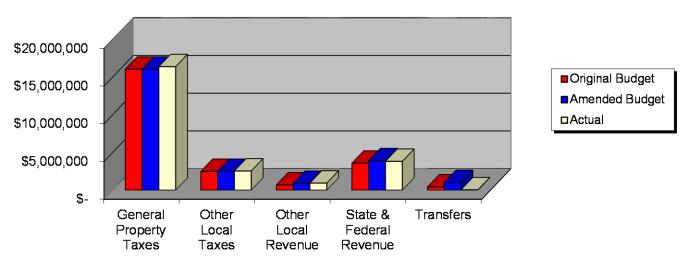
The City of Poquoson uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit K. The City records actual revenues and expenditures using generally accepted accounting principles (GAAP) with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit K, the non-GAAP budgetary expenditures are reconciled to the GAAP statements. The budget differences of \$1.1 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$.03 million additional transfer to the schools for the prior year unspent transfer to support an early retirement incentive program to offset various revenue reductions from the state.
- \$.13 million re-appropriation of restricted revenue received for the Police Department, Fire Department and Library.
- \$.10 million appropriation for various grants for public safety.
- \$.29 million appropriation for employee compensation and school contribution for employee compensation.
- \$.24 million appropriation for public assistance after hurricane Irene.
- \$.07 million appropriation for economic development initiative.
- \$.16 million appropriation for insurance recovery due to fire.
- \$.02 million appropriation for donations received for various departments.

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

#### **General Fund Revenue**

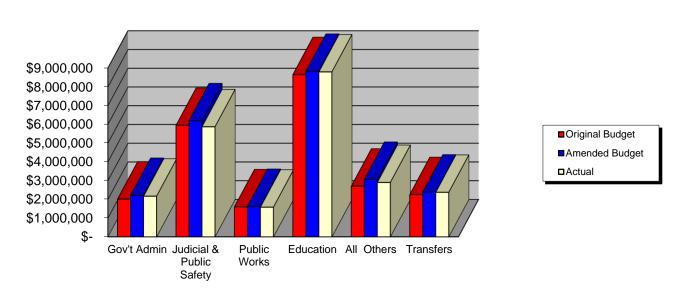
### **Comparison of Budget to Actual**



The City's actual general fund revenues of \$23.7 million surpassed the original budget by \$.49 million and show a decrease of \$.63 million from the amended budget. The City saw an increase in personal property tax assessments for calendar year 2012, therefore the June personal property tax revenue was approximately \$.1 million higher than originally budgeted. The City also saw increases in public service corporations and real estate tax collections amounting to \$.23 million from the original budget. Increases were also seen in other local taxes and charges for services amounting to \$.14 million.

#### **General Fund Expenditures**

### **Comparison of Budget to Actual**



As reflected above, actual General Fund expenditures were \$23.7 million. The increase in expenditures is a result of hurricane Irene, replacement of assets due to fire at the public works administration building, employee and school supplemental appropriations.

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

#### **Capital Projects Fund**

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

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

During FY 2012, capital projects of \$.1.1 million included the construction costs for a new public works storage building, completion of a fire boat and highway and drainage improvements.

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

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$61.2 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, and allocated school buildings. The City owns roads, streetlights, and other infrastructure, but has only capitalized these assets placed in service since July 1, 2002. Infrastructure was capitalized beginning in FY 2007. The School Board component unit owns their school buildings; however, the City has issued the debt and/or provided the resources to build and renovate school buildings. Thus the State Code allows the schools to allocate a portion of their asset to the City, if the City has outstanding debt on the school building.

The following table summarizes capital assets, net of depreciation:

	Govern	mental	<b>Business-Type</b>			
_	Activ	ities	Activ	ities	Tot	tal
_	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Land	\$3,014,479	\$3,014,479	\$243,216	\$243,216	\$3,257,695	\$3,257,695
Construction in progress	385,915	501,061	-	=	385,915	501,061
Buildings	6,731,580	6,566,132	-	1,572	6,731,580	6,567,704
Infrastructure	7,111,437	7,272,981	-	-	7,111,437	7,272,981
Land Improvements	1,490,174	1,672,874	-	-	1,490,174	1,672,874
Machinery and equipment	2,732,881	2,669,377	258,662	189,719	2,991,077	2,859,096
Sewer system	-	-	13,385,773	13,949,397	13,385,773	13,949,397
Sewer easement			7,000	7,000	7,000	7,000
Intangible	-	-	171,640	57,729	171,640	57,729
Allocated school buildings	25,671,411	26,385,333	-	-	25,671,411	26,385,333
Total	\$47,137,877	\$48,082,237	\$14,065,825	\$14,448,633	\$61,203,702	\$62,530,870

**Debt Administration.** Total outstanding general obligation debt at June 30, 2012 was \$37.8 million of which \$29.2 million is considered to be net direct tax supported debt. Included in the total debt are \$27.4 million in bonds and leases, and \$1.8 million in State Literary Loans. The remaining \$8.6 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund.

State statutes limit the amount of general obligation debt a government may issue up to 10% of its total assessed valuation of real estate and public service corporations. The June 30, 2012 debt limitation for the City of Poquoson is \$152 million, which is significantly in excess of the City of Poquoson's \$37.8 million outstanding net direct bonded debt.

### Net Direct Tax Supported Debt General Governmental Activities

	FY 2012	FY 2011
Net direct bonded debt	\$29,183,413	\$30,490,882
Ratio of outstanding direct debt to assessed value	1.92%	1.76%
Net debt per capita	\$2,384	\$2,510

More detailed information on the City of Poquoson's long-term debt activity and capital asset activity can be found in Notes 8, 9 and 10 of this report.

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

The FY 2013 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2013 budget was developed using the current real estate tax rate and little growth.
- The FY 2013 adopted budget includes a real estate tax rate of \$0.92 per \$100 of assessed value and personal property tax rate of \$4.15.
- The FY 2013 adopted budget includes rate increases for both the Sewer Operations and Solid Waste Funds to make them self-supporting.
- The FY 2013 also included increased rates in both meals tax and cigarette tax as well as decrease in boat tax.
- In FY 2013 expenditure increases included health insurance, retirement costs and corrections and detentions.

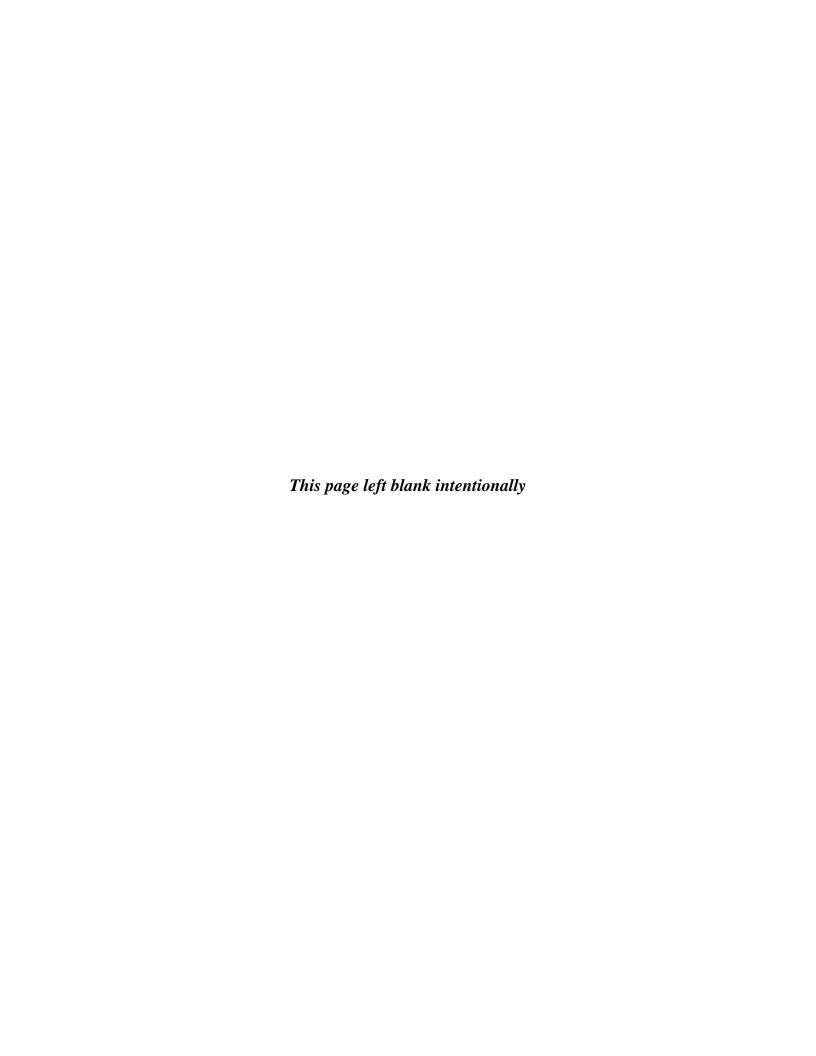
Taking the previous factors into account, the FY 2013 budget was a decrease of less than 1%.

# **Requests for Information**

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

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





# Statement of Net Assets

June 30, 2012

	Governmental			ary Governme usiness-Type			(	Component
		ctivities		Activities		Total		Units
Assets				110117111101		10001		
Cash and investments	\$	5,907,315	¢	170 165	Φ	6,379,780	¢	2 605 526
	Φ.		\$	472,465	\$		\$	2,605,526
Property taxes receivable, net Other receivables, net		501,874 293,669		- 425 007		501,874 719,576		- 9,889
Due from component units		293,009		425,907		29,910		9,009
<u> </u>				-				711 250
Due from other governments		1,294,431 12,733		- 6 100		1,294,431		711,359
Inventory		,		6,190		18,923		10,345
Notes receivable		253,823		2,193		256,016		-
Capital assets		2 400 204		242.216		2 (42 (10		2.074.952
Land and construction-in-process		3,400,394		243,216		3,643,610		3,074,852
Other capital assets, net		3,737,483		13,822,609		57,560,092		5,234,243
Capital assets, net	4	7,137,877		14,065,825		61,203,702		8,309,095
Total assets	\$ 5	5,431,632	\$	14,972,580	\$	70,404,212	\$	11,646,214
Liabilities								
Accounts payable and accrued liabilities	\$	1,151,282	\$	139,329	\$	1,290,611	\$	2,352,763
Bank overdraft		-		87,611		87,611		-
Accrued interest		355,600		55,089		410,689		_
Line of credit		-		-		-		1,796,527
Due to primary government		-		-		-		29,910
Noncurrent liabilities								,
Due within one year		735,788		302,614		1,038,402		85,010
Due in more than one year	3	0,077,454		8,695,153		38,772,607		314,856
Other post employment benefit obligation		164,549		9,909		174,458		143,250
Total liabilities	3:	2,484,673		9,289,705		41,774,378		4,722,316
Net Assets								
Invested in capital assets, net of related debt	1.	6,838,143		5,094,194		21,932,337		6,512,568
Restricted		1,037,956		3,034,134		1,037,956		0,312,306
Unrestricted		5,070,860		588,681		5,659,541		411,330
Total net assets		2,946,959		5,682,875		28,629,834		6,923,898
Total fiet assets		5,431,632	\$	14,972,580	•	70,404,212	\$	11,646,214
	φ <i>)</i> .	5,451,052	Ф	14,972,380	φ	10,404,212	Φ	11,040,214

$\overline{}$
$\alpha$

			Program Revenue	S		Net Reve	Assets						
		Operating Capital				Primary Government							
		Charges	Grants and	Grants and	G	overnmental	Business-Type		Component				
Functions/Programs	Expenses	For Services	Contributions	Contributions		Activities	Activities	Total	Units				
Primary Government	•												
Government activities													
General government and administration	\$ 3,058,270	\$ 223,152	\$ -	\$ -	\$	(2,835,118)	\$ - \$	(2,835,118)	\$ -				
Public safety and judicial	6,296,795	112,011	358,374	207,675		(5,618,735)	-	(5,618,735)	-				
Public works	1,875,113	-	775,000	496,197		(603,916)	-	(603,916)	-				
Health and welfare	913,826	-	107,718	-		(806, 108)	-	(806,108)	-				
Education	9,510,584	49,188	-	-		(9,461,396)	-	(9,461,396)	-				
Parks, recreation, cultural	1,248,643	74,609	139,634	-		(1,034,400)	-	(1,034,400)	-				
Community development	567,672	300,206	194,559	28,974		(43,933)	-	(43,933)	-				
Interest and fees on long-term debt	1,219,966	-	-	-		(1,219,966)	-	(1,219,966)	-				
Total governmental activities	24,690,869	759,166	1,575,285	732,846		(21,623,572)	-	(21,623,572)	-				
Business-type activities													
Sewer	1,447,681	1,520,017	_	_		_	72,336	72,336	_				
Parks and recreation	455,199	212,730	_	_		_	(242,469)	(242,469)	_				
Solid waste	743,280	743,936	_	_		_	656	656	_				
<b>Total business-type activities</b>	2,646,160	2,476,683	-	-		-	(169,477)	(169,477)	-				
Total primary government	\$ 27,337,029	\$ 3,235,849	\$ 1,575,285	\$ 732,846		(21,623,572)	(169,477)	(21,793,049)	-				
Component Units													
Poquoson Public Schools	\$ 21,198,832	\$ 338,304	\$ 12,199,311	\$ -		_	_	_	(8,661,217)				
Economic Development Authority	72,260	40,251	-	<u> </u>	<u> </u>	-	-	-	(32,009)				
<b>Total component units</b>	\$ 21,271,092	\$ 378,555	\$ 12,199,311	\$ -		-	-	-	(8,693,226)				
(	General Revenues												
	Real estate and p	ersonal property to	axes			18,228,029	-	18,228,029	-				
	Other local taxes					2,529,995	_	2,529,995	-				
	Payments from the	he City of Poquose	on			-	-	-	9,056,187				
	Reimbursements	from other agenci	ies not restricted to	specific program	s	58,458	_	58,458	-				
	Miscellaneous	C		1 1 0		196,203	128,520	324,723	-				
	Unrestricted inve	estment earnings				181,274	32,131	213,405	-				
ד	<b>Fransfers</b>	•				(118,799)	118,799	-	-				
	Total general	l revenues, transf	ers and miscellar	ieous		21,075,160	279,450	21,354,610	9,056,187				
(	Change in net assets					(548,412)	109,973	(438,439)	362,961				
r	Net assets, beginning	of year				23,495,371	5,572,902	29,068,273	6,572,937				
7	Net assets, end of yea	_			\$	22,946,959	\$ 5,682,875 \$	28,629,834	\$ 6,935,898				

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

# Balance Sheet - Governmental Funds

June 30, 2012

Assets		General	S	Debt Service		Capital Projects	Go	Total overnmental Funds
Cash and cash investments	\$	4,351,783	\$	2,718	\$	1,503,997	\$	5,858,498
Property taxes receivable, net	Ψ	501,874	Ψ	2,710	Ψ	-	Ψ	501,874
Other receivables		293,461		_		_		293,461
Notes receivable		253,823		_		-		253,823
Due from component units		29,910		_		-		29,910
Due from other governmental units		1,280,959		_		13,472		1,294,431
Inventory		651		-		-		651
Total assets	\$	6,712,461	\$	2,718	\$	1,517,469	\$	8,232,648
Liabilities								
Accounts payable and accrued liabilities	\$	742,935	\$	_	\$	281,999		1,024,934
Deferred revenue		361,720		_		-		361,720
Total liabilities		1,104,655		=		281,999		1,386,654
Fund Balances								
Fund balances:		054.474						254 474
Nonspendable		254,474		-		-		254,474
Restricted		175,850		2710		862,106		1,037,956
Assigned		679,065		2,718		373,364		1,055,147
Unassigned  Total fund balances		4,498,417 5,607,806		2,718		1,235,470		4,498,417 6,845,994
Total fund parances		3,007,800		2,/10		1,233,470		0,043,774
Total liabilities and fund balances	\$	6,712,461	\$	2,718	\$	1,517,469	\$	8,232,648

# Balance Sheet - Governmental Funds

(Continued)

June 30, 2012

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

Total fund balances - governmental funds	\$	6,845,994
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.		47,120,283
Some of the City's revenues will be collected after year-end but are not available soon enough		17,120,203
to pay for the current period's expenditures, and therefore, are deferred in the funds.		361,720
Internal service funds are used by management to charge the costs of fleet management		
to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		44,452
Other liabilities not paid from current-period revenues are not reported in funds for:		
Accrued interest		(355,600)
Accrued compensated absences		(500,849)
Accrued termination benefits		(108,805)
Other post employment benefit obligation		(160,502)
Long-term liabilities, including bonds payable, net of capitalized bond issuance costs		
and deferred bond issuance charges, are not due and payable in the current period		
and, therefore, are not reported as liabilities in the governmental funds.	(	(30,299,734)
Total net assets - governmental activities	\$	22,946,959

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

# Year Ended June 30, 2012

n.	Debt General Service					Capital Projects	G	Total overnmental Funds	
Revenues	¢	Φ 16061.071			¢.		Φ	16 261 071	
General property taxes	\$	16,361,071	\$	-	\$	-	\$	16,361,071	
Other local taxes		2,529,995		-		-		2,529,995	
Permits, privilege fees		07.214						07.214	
and regulatory licenses Fines and forfeitures		97,314		-		-		97,314	
		43,603		-		1 001		43,603	
Revenue from use of money and property		181,329		-		1,981		183,310	
Charges for services		395,096		-		702 971		395,096	
Intergovernmental Miscellaneous		3,809,300		-		703,871		4,513,171	
Total revenues		209,571 23,627,279		<u> </u>		5,977 711,829		215,548 24,339,108	
Expenditures		20,027,279				,111,029		2.,000,100	
General government administration		2,175,864		_		_		2,175,864	
Public safety and judicial		5,909,331		_		_		5,909,331	
Public works		1,596,143		_		_		1,596,143	
Health and welfare		897,082		_		_		897,082	
Parks, recreation, and cultural		1,057,553		_		_		1,057,553	
Community development		577,990		_		_		577,990	
Nondepartmental		359,518		_		_		359,518	
Education		8,796,662		_		_		8,796,662	
Capital outlay		-		_		1,119,347		1,119,347	
Debt service:						1,115,6		1,115,017	
Principal retirement		_		867,647		_		867,647	
Interest and fiscal charges		_		1,266,380		_		1,266,380	
Bond issuance costs		_		301,774		8,857		310,631	
<b>Total expenditures</b>		21,370,143		2,435,801		1,128,204		24,934,148	
Excess (deficiency) of revenues									
over expenditures		2,257,136		(2,435,801)		(416,375)		(595,040)	
Other financing sources (uses)									
Transfers in		32,500		2,039,547		181,760		2,253,807	
Transfers out		(2,372,606)		-		-		(2,372,606)	
Issuance of debt:									
Bonds issued		-		-		600,000		600,000	
Refunding bonds issued		-		11,060,000		-		11,060,000	
Premium on refunding bonds sold		-		1,438,794		-		1,438,794	
Payment of refunded bonds		-		(12,099,822)		-		(12,099,822)	
<b>Total other financing sources (uses)</b>		(2,340,106)		2,438,519		781,760		880,173	
Net change in fund balances		(82,970)		2,718		365,385		285,133	
Fund balances, July 1, 2011		5,690,776		-		870,085		6,560,861	
Fund balances, June 30, 2012	\$	5,607,806	\$	2,718	\$	1,235,470	\$	6,845,994	

(Continued)

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

#### Year Ended June 30, 2012

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

#### Net change in fund balances - total governmental funds

\$ 285,133

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

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

(56,475)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	919,245
Depreciation expense	(1,857,548)
Loss on disposal of capital assets	(3,142)

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

Debt issued	(11,660,000)
Premiums on debt issued, net	(1,379,855)
Deferred refunding charge, net	261,628
Repayment of debt principal	12,967,469

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

Accrued interest	36,477
Compensated absences	(34,445)
Other post-employment benefits liability	(39,123)
Accrued termination benefits	24,515

Internal service fund is used by management to charge the cost of fleet management to individual departments. The net loss of the fleet management fund is reported with governmental activities.

(12,291)

Change in net assets - governmental activities

\$ (548,412)

# Statement of Net Assets - Proprietary Funds

June 30, 2012

	Business-Type Activities Proprietary Funds									ernmental
		Sewer	F	Parks and		Solid			I	nternal
Assets		Operation	R	ecreation		Waste		Total	Serv	vice Funds
Current assets										
Cash and investments	\$	396,782	\$	-	\$	75,683	\$	472,465	\$	48,817
Accounts receivable		265,176		6,500		154,231		425,907		208
Note receivable		2,193		-		-		2,193		-
Inventory		-		-		6,190		6,190		12,082
Total current assets		664,151		6,500		236,104		906,755		61,107
Noncurrent assets										
Capital assets										
Land		214,666		28,550		-		243,216		-
Buildings		-		254,179		9,943		264,122		41,742
Sewer system		22,354,475		-		-		22,354,475		-
Equipment		476,424		152,756		438,320		1,067,500		45,910
Less - accumulated depreciation		(9,223,442)		(355,572)		(284,474)		(9,863,488)		(70,058)
Total capital assets (net of										
accumulated depreciation)		13,822,123		79,913		163,789		14,065,825		17,594
<b>Total noncurrent assets</b>		13,822,123		79,913		163,789		14,065,825		17,594
	\$	14,486,274	\$	86,413	\$	399,893	\$	14,972,580	\$	78,701
Liabilities										
Current liabilities										
Vouchers and accounts payable	\$	36,643	\$	45,020	\$	40,227	\$	121,890	\$	8,919
Bank overdraft		-		87,611		-		87,611		-
Accrued payroll		7,500		7,456		2,483		17,439		8,625
Accrued interest		55,089		-		-		55,089		-
Compensated absences		1,422		1,125		67		2,614		1,266
Bonds payable, current portion		300,000		-		-		300,000		-
Total current liabilities		400,654		141,211		42,777		584,643		18,809
Noncurrent liabilities										
Compensated absences		12,795		10,120		607		23,522		11,393
Bonds payable, less current portion		8,671,631		-		_		8,671,631		-
Other post employment benefit obligation		5,024		3,629		1,256		9,909		4,047
Total noncurrent liabilities		8,689,450		13,749		1,863		8,705,062		15,440
Total liabilities		9,090,104		154,961		44,640		9,289,705		34,249
Net Assets										
Invested in capital assets, net of related debt		4,850,492		79,913		163,789		5,094,194		17,594
Unrestricted (deficit)		545,678		(148,461)		191,464		588,681		26,858
Total net assets (deficit)		5,396,170		(68,548)		355,253		5,682,875		44,452
Total liabilities and net assets	\$	14,486,274	\$	86,413	\$	399,893	\$	14,972,580	\$	78,701

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

Year Ended June 30, 2012

		Propriets	ary Fund Types		Governmental Activities -
	Sewer	Parks and	• • •	•	Internal
	Operation	Recreation		Total	Service Funds
Operating revenues	-				
Charges for services	\$ 1,452,217	\$ 212,73	0 \$ 743,9	936 \$ 2,408,8	883 \$ 710,973
Festivals	-	125,21	8 -	125,2	218 -
Miscellaneous	2,049	1,25	-	- 3,3	302 -
Total operating revenues	1,454,266	339,20	1 743,9	2,537,4	403 710,973
Operating expenses					
Personnel services	253,527	164,43	67,4	143 485,4	408 208,405
Contractual services	140,304	231,94			
Materials and supplies	67,328	25,37	2 45,7	735 138,4	439,550
Utilities	63,359	7,12	24	99 70,5	
Depreciation and amortization	569,110	16,71	4 27,7	700 613,5	524 2,915
Other charges	34,888	9,60	9 19,1	90 63,6	587 16,074
Waste disposal	-	-	443,2	205 443,2	205 -
Total operating expenses	1,128,516	455,19	9 743,2	280 2,326,9	995 723,264
Operating income (loss)	325,750	(115,99	(8) <del>(</del>	556 210,4	408 (12,291)
Nonoperating revenues (expenses)					
Interest income	31,633	-	4	198 32,1	- 131
Interest and fiscal charges	(319,165	) -	-	- (319,1	
Sewer availability fees	67,800		-	- 67,8	
Net nonoperating revenues				· ·	
(expenses)	(219,732	) -	4	198 (219,2	234) -
Income (loss) before transfers	106,018	(115,99	28) 1,1	54 (8,8	826) (12,291)
Transfers					
Transfers in	_	79,19	9 72,1	100 151,2	299 -
Transfers out	(32,500		-	- (32,5	
Net transfers	(32,500		9 72,1		
Change in net assets	73,518	(36,79	99) 73,2	254 109,9	973 (12,291)
Net assets (deficit), July 1, 2011	5,322,652	(31,74	9) 281,9	5,572,9	902 56,743
Net assets (deficit) June 30, 2012	\$ 5,396,170	\$ (68,54	8) \$ 355,2	253 \$ 5,682,8	375 \$ 44,452

# Statement of Cash Flows - Proprietary Funds

# Year Ended June 30, 2012

			I	Proprietary	Fu	nd Types			Internal
		Sewer		Parks and		Solid			Service
	(	Operation	R	Recreation		Waste		Total	Fund
Cash flows from operating activities									
Received from customers and users	\$	1,455,862	\$	332,701	\$	738,652	\$	2,527,215	\$ 711,017
Payments to suppliers for goods and services		(395,187)		(243,584)		(660,679)		(1,299,450)	(514,842)
Payments to employees		(256,608)		(168,291)		(67,166)		(492,065)	(209,090)
Net cash provided by (used in)									
operating activities		804,067		(79,174)		10,807		735,700	(12,915)
Cash flows from noncapital financing activities									
Transfers to other funds		(32,500)		-		-		(32,500)	-
Transfers from other funds		-		79,173		72,100		151,273	
Net cash provided by (used in)									
noncapital financing activities		(32,500)		79,173		72,100		118,773	-
Cash flows from capital and related									
financing activities									
Principal paid on capital debt	(	8,150,933)		-		-		(8,150,933)	-
Proceeds from capital debt		7,692,541		-		-		7,692,541	-
Sewer availability fees		67,800		-		-		67,800	=
Interest paid on capital debt		(261,857)		-		=		(261,857)	-
Acquisition and construction of capital assets		(109,318)		-		(123,606)		(232,924)	(14,022)
Net cash provided by (used in) capital									
and related financing activities		(761,767)		-		(123,606)		(885,373)	(14,022)
Cash flows from investing activities									
Interest received		31,633		-		498		32,131	_
Net increase (decrease) in cash and investments		41,433		(1)		(40,201)		1,231	(26,937)
Cash and investments, beginning of year		355,350		-		115,884		471,234	75,756
Cash and investments, end of year	\$	396,783	\$	(1)	\$	75,683	\$	472,465	\$ 48,819
Reconciliation of operating income (loss) to net									
cash provided by (used in) operating activities	3								
Operating income (loss)	\$	325,750	\$	(115,998)	\$	656	\$	210,408	\$ (12,291)
Adjustments									
Depreciation and amortization		569,110		16,714		27,700		613,524	2,915
Changes in assets and liabilities									
Receivables, net		1,596		(6,500)		(5,284)		(10,188)	44
Inventories		-		-		2,469		2,469	13,212
Vouchers and accounts payable		(85,193)		3,805		(12,810)		(94,198)	(7,403)
Accrued compensated absences		(5,058)		1,672		(2,497)		(5,883)	(8,793)
Other post employment benefits liability		943		628		296		1,867	86
Bank overdraft		-		24,358		-		24,358	-
Accrued payroll		(3,081)		(3,853)		277		(6,657)	(685)
Net cash provided by (used in)							_		
operating activities	\$	804,067	\$	(79,174)	\$	10,807	\$	735,700	\$ (12,915)

# Statement of Fiduciary Assets and Liabilities

June 30, 2012		
		Library Agency Fund
Cash and cash equivalents	Assets	\$ 38,258
Li	abilities	
Amounts held in trust for library building		\$ 38,258

# Combining Statement of Net Assets - Component Units

# June 30, 2012

Assets	 Poquoson Public Schools	Economic Development Authority	Total
Cash and cash equivalents Accounts receivable	\$ 2,594,933	\$ 10,593 9,889	\$ 2,605,526 9,889
Due from other governments	711,359	-	711,359
Inventory Land	10,345 450,876	2,623,976	10,345 3,074,852
Other capital assets, net	 4,938,044	296,199	5,234,243
Total assets	\$ 8,705,557	\$ 2,940,657	\$ 11,646,214
Liabilities			
Vouchers and accounts payable	\$ 2,348,938	\$ 3,825	\$ 2,352,763
Bank overdraft	-	-	-
Line of credit Compensated absences, current	85,010	1,796,527	1,796,527 85,010
Due to primary government	29,910	-	29,910
Compensated absences, noncurrent	314,856	-	314,856
Other post employment benefit obligation	 143,250	-	143,250
Total liabilities	 2,921,964	1,800,352	4,722,316
Net Assets			
Invested in capital assets, net of related debt	5,388,920	1,123,648	6,512,568
Unrestricted	394,673	16,657	411,330
Total net assets	5,783,593	1,140,305	6,923,898
Total liabilities and net assets	\$ 8,705,557	\$ 2,940,657	\$ 11,646,214

# Combining Statement of Activities - Component Units

# Year Ended June 30, 2012

		Net Revenues (Expenses) and													
		H	Program Revenu	ies			anges in Net As								
			Operating			Poquoson	Economic								
		Charges for	Grants and	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Public	Development	
	Expenses	Services	Contributions	Cor	ntributions	outions Schools Author		Total							
Poquoson Public Schools															
Education	\$21,198,832	\$ 338,304	\$ 12,199,311	\$	-	\$ (8,661,217)	\$ -	\$ (8,661,217)							
<b>Economic Development Authority</b>								-							
Economic Development	72,260	40,251	-		-	-	(32,009)	(32,009)							
Total component units	\$21,271,092	\$ 378,555	\$ 12,199,311	\$	_	(8,661,217)	(32,009)	\$ (8,693,226)							
•															
		General rev													
						9,032,187	12,000	9,044,187							
		City of Po	•	•••	-	9,032,187	12,000	9,044,187							
		101a	l general rever	iues	-	9,032,187	12,000	9,044,187							
		Cha	nge in net asset	ts		370,970	(20,009)	350,961							
		Net a	assets, beginnir	ng of	f year	5,412,623	1,160,314	6,572,937							
		Net a	assets, end of y	ear	-	\$ 5,783,593	\$ 1,140,305	\$ 6,923,898							

### Notes to Basic Financial Statements

#### June 30, 2012

#### 1. Summary of Significant Accounting Policies

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

#### **Financial Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following proprietary Fund type:

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

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

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

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

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

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

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

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

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

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

#### School Board General Fund

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

#### School Board Special Revenue Fund

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

#### School Board Agency Funds

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

### **Budgeting and Budgetary Accounting**

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

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

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

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

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

Supplemental budget appropriations were approved during the fiscal year ended June 30, 2012, for an increase in appropriations in the amount of \$1,119,083 and \$2,332,912 for the Primary Government General Fund and School Board General Fund, respectively.

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

### **Cash and Cash Equivalents**

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

#### **Investments**

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

### **Capital Assets**

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

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

#### Capital Assets (Continued)

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

The estimated useful lives of capital assets are as follows:

	Years
Buildings	40
Infrastructure	20 - 50
Machinery and equipment	3 - 50

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

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

The City (Primary Government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2012, the allowance approximated \$305,000 in the General Fund. All other receivables have experienced a high collection rate; therefore, an allowance for doubtful accounts has not been established by City management for other receivables.

#### **Inventory**

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

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

Inventory is recognized as expenditures when consumed.

### **Compensated Absences**

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

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

#### **Sewer Availability Fees**

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

#### **Deferred Revenue**

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

#### **Fund Balances/Net Assets**

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

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

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

<u>Committed</u> – includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of City Council. The committed amounts cannot be used for any purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit these amounts.

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

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

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

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

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

#### **Estimates**

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

#### Credit Risk

The assessed value of real estate for the City's ten largest taxpayers comprises 2.63% of the City's real estate tax base. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the City's customer base.

#### 2. Deposits and Investments

### **Deposits**

At year-end, the carrying value of the City's deposits with banks and savings institutions was \$4,611,278 including agency fund cash of \$38,258. All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia (Act) or covered by federal depository insurance.

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

However, all qualified bank's public deposits are considered 100% "insured" because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2012, no balances of the Primary Government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

The carrying amount of deposits for the School Board was \$2,621,026 and the bank balance was \$3,361,878. The bank balance was covered by Federal Depository Insurance Corporation or collateralized in accordance with the Act. At June 30, 2012, no balances of the component unit were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

#### **Investments**

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a-7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with portfolio securities valued by the amortized cost method. The fair value of the LGIP is the same as the value of the pool shares. Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value. As of June 30, 2012, the City had \$532,489 invested in the State Non-Arbitrage Program (SNAP). SNAP funds are rated AAAm by Standard & Poor's. LGIP funds are rated AAAm by Standard & Poor's.

# 2. Deposits and Investments (Continued)

### **Investment Policy**

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

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

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

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

#### Short-term Operating Funds

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

### Core Portfolio

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

#### **Bond Proceeds**

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

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

#### Credit Risk

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

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

#### **Concentration of Credit Risk**

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

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

#### **Interest Rate Risk**

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

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

#### **Custodial Risk**

For an investment, custodial risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the City or held as collateral on deposits or investments shall be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2012, with the exception of the Virginia LGIP, all of the City's investments are held in a bank's trust department in the City's name.

### 2. Deposits and Investments (Continued)

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

	Investment Maturities (in years)							
	Less Than							
		Fair Value		1 year		1 - 3 years		
Money market funds, Virginia LGIP	\$	400,288	\$	400,288	\$	-		
Money market funds, Scott & Stringfellow		476,281		476,281		-		
Money market funds, RBC Dain Rauscher		296,180		296,180		-		
Virginia SNAP Accounts		532,489		-		532,489		
Total investments		1,705,238	\$	1,172,749	\$	532,489		
Reconciliation to total cash and investments								
Add:								
Cash on hand and in banks		7,318,326	_					
Total cash and investments		9,023,564						
Less:								
Cash held in fiduciary funds		38,258	_					
Total cash and investments, Exhibit A,			<del></del>					
Primary Government and Component								
Units	\$	8,985,306						

#### 3. Property Taxes Receivable

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

	 Governmental Activities	Business-Type Activities	Total
Real estate taxes	\$ 432,418	\$ -	\$ 432,418
Personal property taxes	374,456	-	374,456
Accounts receivable	293,669	425,906	719,575
	1,100,543	425,906	1,526,449
Less - allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables, net	\$ 795,543	\$ 425,906	\$ 1,221,449

#### 4. Notes Receivable

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

A \$192,279 note receivable in the General Fund represents a deed of trust note to Poquoson Historical and Cultural Museum Foundation. The \$192,279 note bears interest at 7.25%. Beginning June 1, 2009, interest only is due and payable each June 1 and December 1 thereafter. In all events the accrued interest and unpaid principal is due in full on December 1, 2018. As of June 30, 2012 the balance was \$153,823.

# 5. **Due From Other Governments**

Due from other governments consists of the following:

# **Primary Government**

Commonwealth of Virginia	 General Fund
Comprehensive Services Act	\$ 49,268
Sales tax	50,737
Division of Motor Vehicles reimbursement	7,885
Compensation Board	18,238
Public Assistance	24,363
Communications Sales and Use tax	34,980
Fire Fund Program	4,590
Mobil Home Titling Tax	1,855
PPTRA	884,118
Virginia Port Authority	9,488
Virginia Department of Transportation	 3,984
Total due from the Commonwealth of Virginia	 1,089,506
Federal Government	
Plum Tree Island	2,511
DUI Grants - Selective Enforcement	2,350
Byrne Justice Grant	2,758
Citizen Corp 2010	4,062
FEMA Public Assistance	177,546
DHS Communications Grant	15,698
Total due from the federal government	 204,925
Total due from other governments	\$ 1,294,431
Component Unit - School Board	
Commonwealth of Virginia	
State sales tax	\$ 174,279
State technology reimbursement	 176,388
Total due from the Commonwealth of Virginia	 350,667
Federal Government Department of Education Program	
Title I	38,132
Title II	44,063
Title VI-B	157,499
Various grants	 120,998
Total due from the federal government	 360,692
Total due from the other governments	\$ 711,359

# 6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2012, are as follows:

Primary Government	Component Unit	
Receivable	Payable Payable	Amount
Due from School Board	Due to Primary Government	\$ 29,910

# 7. Capital Assets

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

		Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated	-				
Land	\$ 3	,014,479	\$ _	\$ -	\$ 3,014,479
Construction-in-process		501,061	262,396	377,542	385,915
Total capital assets not					
being depreciated	3	,515,540	262,396	377,542	3,400,394
Other capital assets					
Buildings	9	,537,843	489,720	-	10,027,563
Infrastructure	39	,064,442	_	-	39,064,442
Land improvements	2	,606,232	_	-	2,606,232
Machinery and equipment	6	,342,294	544,671	105,075	6,781,890
Total other capital assets	57	,550,811	1,034,391	105,075	58,480,127
Less - accumulated depreciation					
Buildings	2	,971,711	324,272	_	3,295,983
Infrastructure		,791,461	161,544	_	31,953,005
Land improvements		933,358	182,700	-	1,116,058
Machinery and equipment	3	,672,917	478,025	101,933	4,049,009
Total accumulated depreciation	39	,369,447	1,146,541	101,933	40,414,055
Other capital assets, net	18	,181,364	(112,150)	3,142	18,066,072
	21	,696,904	150,246	380,684	21,466,466
Allocation of School Board Assets Buildings	29	,014,157	-	-	29,014,157
Less - accumulated depreciation Buildings	2	,628,824	713,922	-	3,342,746
Total allocated to City	26	,385,333	(713,922)	-	25,671,411
Total	\$ 48	,082,237	\$ (563,676)	\$ 380,684	\$ 47,137,877

# 7. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 132,277
Public Safety	469,649
Public Works	317,789
Health and Welfare	15,524
Parks, Recreation, and Cultural	208,465
Community Development	2,837
Education	 713,922
	\$ 1,860,463

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

	Baland July 1				Balance June 30,
	2011	,	Increases	Decreases	2012
Capital assets not being depreciated					_
Land	\$ 243,2	16 \$		\$ 	\$ 243,216
Total capital assets not					
being depreciated	243,2	16	-	-	243,216
Other capital assets					
Buildings	264,12	22	-	-	264,122
Machinery and equipment	943,89	93	123,607	-	1,067,500
Sewer system	22,169,6	92	-	-	22,169,692
Sewer easement	7,0	00	-	-	7,000
Intangible	62,3	22	143,545	28,084	177,783
Total other capital assets	23,447,0	29	267,152	28,084	23,686,097
Less - accumulated depreciation					
Buildings	262,5	50	1,572	-	264,122
Machinery and equipment	754,1	74	55,130	-	809,304
Sewer system	8,220,2	95	563,624	-	8,783,919
Intangible	4,59	93	5,528	3,978	6,143
Total accumulated depreciation	9,241,6	12	625,854	3,978	9,863,488
Other capital assets, net	14,205,4	17	(358,702)	24,106	13,822,609
Total	\$ 14,448,6	33 \$	(358,702)	\$ 24,106	\$ 14,065,825

# 7. Capital Assets (Continued)

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Other capital assets				
Buildings	39,425,141	40,122	-	39,465,263
Machinery and equipment	1,958,740	446,366	-	2,405,106
Total other capital assets	41,383,881	486,488	-	41,870,369
Less - accumulated depreciation				
Buildings	8,895,881	909,503	-	9,805,384
Machinery and equipment	1,323,257	132,273		1,455,530
Total accumulated depreciation	10,219,138	1,041,776	-	11,260,914
Other capital assets, net	31,164,743	(555,288)	-	30,609,455
Capital assets, net	31,615,619	(555,288)	-	31,060,331
Allocation to City Buildings	(29,014,157)	-	-	(29,014,157)
Less - accumulated depreciation	2,628,824	713,922	-	3,342,746
Total allocated to City	(26,385,333)	713,922	-	(25,671,411)
Total	\$ 5,230,286	\$ 158,634	\$ -	\$ 5,388,920

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 2,623,976	\$ -	\$ -	2,623,976
Other capital assets				
Buildings	185,542	-	-	185,542
Infrastructure	 315,273	-	-	315,273
Total other capital assets	 500,815	-	-	500,815
Less - accumulated depreciation				
Buildings	66,361	9,277	-	75,638
Infrastructure	114,648	14,330	-	128,978
Total accumulated depreciation	181,009	23,607	-	204,616
Other capital assets, net	319,806	(23,607)	-	296,199
Total	\$ 2,943,782	\$ (23,607)	\$ -	\$ 2,920,175

# 8. Long-term Obligations

# **Governmental Activities**

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

		Balance			Balance	Amounts Due
		July 1,			June 30,	Within
		2011	Increases	Decreases	2012	One Year
General obligations						
Debts payable						
General obligation bonds	\$	28,164,822 \$	11,660,000 \$	12,612,822 \$	27,212,000 \$	326,999
General obligation leases		241,240	-	77,647	163,593	80,437
State Literary Fund loans		2,084,820	-	277,000	1,807,820	277,000
Less refunding costs		(638,891)	(310,631)	(49,003)	(900,519)	-
Unamortized Premium		636,985	1,438,794	58,939	2,016,840	-
		30,488,976	12,788,163	12,977,405	30,299,734	684,437
Accrued benefits						
Accrued compensated absences		487,857	729,052	703,401	513,508	51,351
Total	\$	30,976,833 \$	13,517,215 \$	13,680,806 \$	30,813,242 \$	735,788
Component Unit - School Board Accrued benefits	Φ.	205 520 ф	<b>506.006. 4</b>	501.750 ¢	200.066.0	05.010
Accrued compensated absences	\$	395,520 \$	506,096	501,750 \$	399,866 \$	85,010

The net OPEB obligation and compensated absences are generally liquidated by the fund for which the employee works.

# **Governmental Activities** (Continued)

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

<i>High School Serial Bonds of 1998</i> - \$650,000 bonds issued and due in annual installments varying from \$30,000 to \$35,000 through July 2018, with interest payable semi-annually at rates varying from 3.60% to 5.10%.	\$ 210,000
<i>General Obligation Refunding Bonds, Series 2010</i> - \$4,670,000 bonds issued and due in annual installments varying from \$100,000 to \$385,000 through June 2027, with interest paid semi-annually at 4.28%.	4,670,000
<i>General Obligation Refunding Bonds, Series 2010</i> - \$6,600,000 bonds issued and due in annual installments varying from \$140,000 to \$1,015,000 through June 2027, with interest paid semi-annually at 4.35%.	6,600,000
General Obligation Refunding Bonds, Series 2010 - \$3,900,000 bonds issued and due in annual installments varying from \$45,000 to \$580,000 through June 2027, with interest paid semi-annually at 4.49%.	3,900,000
General Obligation Bonds, Series 2010 - \$215,000 bonds issued and due in annual installments varying from \$20,000 to \$60,000 through June 2016, with interest paid semi-annually at 2.48%.	195,000
General Obligation Refunding Taxable Bonds, Series 2011B - \$3,495,000 bonds issued and due in annual installments varying from \$55,000 to \$313,000 through February 2029, with interest payable semi-annually at 2.98%.	3,472,000
General Obligation Refunding Bonds, Series 2012 - \$8,165,000 bonds issued and due in annual installments varying from \$35,000 to \$1,030,000 through February 2028, with interest payable semi-annually at rates from 2% to 5%.	8,165,000
Total general obligation bonds	\$ 27,212,000

# **Governmental Activities** (Continued)

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

<u>Year</u>	Principal			Interest
2013	\$	326,999	\$	1,054,774
2014		473,000		1,138,781
2015		1,214,000		1,126,675
2016		1,536,001		1,092,111
2017		1,602,001		1,035,113
2018 - 2022		9,905,001		4,040,313
2023 - 2027		11,634,998		1,650,188
2028 - 2029		520,000		23,364
	\$	27,212,000	\$	11,161,319

In October 2004, the City of Poquoson entered into a capital lease to purchase two fire trucks, which were capitalized at a cost of \$708,522. At June 30, 2012, accumulated depreciation under this lease totaled \$184,213. The balance of this lease as of June 30, 2012, was \$163,593. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2013 2014	\$ 86,299 86,299
Total minimum lease payments	172,598
Less - imputed interest	 (9,005)
	163,593
Less - current portion	 80,437
Long-term portion	\$ 83,156

#### **Governmental Activities** (Continued)

#### **Current Refunding**

In September 2011, the City of Poquoson issued \$2,895,000 of general obligation refunding bonds to currently refund \$2,806,067 of general obligation refunding bonds. The refunded bonds were redeemed and the liability has been removed from the City's financial statements. The reacquisition price equaled the net carrying amount of the old debt. This current refunding resulted in an economic gain of \$352,776. The refunding resulted in an overall decrease in debt service over the next 17 years of \$449,831.

In May 2012, the City of Poquoson issued \$8,165,000 of general obligation refunding bonds to currently refund \$9,293,755 of general obligation bonds. The refunded bonds are considered to legally defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$232,972. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the old debt. The current refunding resulted in an overall decrease in debt service over the next 15 years of \$109,682. This current refunding resulted in an economic gain of \$389,387.

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

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%.	\$ 57,820
High School Literary Fund Loan - \$5,000,000 loan issued	
November 17, 1998, due in annual installments of \$250,000 through	
December 2019, with interest at 3%.	 1,750,000
Total state literary fund loans outstanding	\$ 1,807,820

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

<u>Year</u>	Principal	Interest		
2013	\$ 277,000	\$	54,235	
2014	280,820		45,925	
2015	250,000		37,500	
2016	250,000		30,000	
2017	250,000		22,500	
2018 - 2019	500,000		22,500	
	\$ 1,807,820	\$	212,660	

#### **Debt Limit**

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. As of June 30, 2012, the City's aggregate general obligation indebtedness, excluding proprietary fund debt, was \$120,919,571 less than the allowable limit.

### **Overlapping Debt**

There are no overlapping or underlying tax jurisdictions.

### **Business-type Activities**

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Enterprise Funds					
General obligation bonds	\$ 9,425,933	\$ 7,330,000	\$ 8,150,933	\$ 8,605,000	\$ 300,000
Less refunding costs	(102,644)	(318,208)	(67,429)	(353,423)	-
Bond premium	51,635	680,749	12,330	720,054	-
	9,374,924	7,692,541	8,206,030	8,971,631	300,000
Accrued compensated absences	32,019	36,748	42,631	26,136	2,614
	\$ 9,406,943	\$ 7,729,289	\$ 8,248,661	\$ 8,997,767	\$ 302,614

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

<i>General Obligation Refunding Sewer Bonds, Series 2010</i> - \$740,000 bonds issued and due in annual principal installments varying from \$10,000 to \$80,000 through April 2022 with interest payable semi-annually at rates varying from 2.2% to 5.2%	675,000
<i>General Obligation Sewer Bonds, Series 2010</i> - \$600,000 bonds issued and due in February 2015, with interest payable semi-annually at a rate of 2.75%.	
	600,000
General Obligation Refunding Sewer Bonds, Series 2012 - \$7,330,000	
bonds issued and due in annual installments varying from \$150,000 to	
\$685,000 through February 2028, with interest payable semi-annually at	
rates from 3% to 5%.	 7,330,000
Total general obligation bonds outstanding	\$ 8,605,000

In May 2012, the City of Poquoson issued \$7,330,000 of general obligation refunding bonds to currently refund \$7,579,472 of general obligation bonds. The refunded bonds are considered to be legally defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$261,024. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the old debt. The current refunding resulted in an economic loss of \$243,031. The refunding resulted in an overall increase in debt service over the next 15 years of \$1,154,158.

#### **Business-Type Activities** (Continued)

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

Year	Principal			Interest		
2013	\$	300,000	\$	250,440		
2014		205,000		307,901		
2015		880,000		302,036		
2016		365,000		276,816		
2017		445,000		262,071		
2018 - 2022		2,580,000		956,531		
2023 - 2027		3,145,000		391,500		
2028		685,000		20,550		
	\$	8,605,000	\$	2,767,845		

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

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

#### **Line of Credit**

The EDA uses a \$2,300,000 line of credit with a bank to finance a variety of land purchases. The line of credit expires on March 31, 2013, and bears interest at 30-day LIBOR plus 1.75% with a floor of 2.5%, and is unsecured. Short-term activity was as follows:

	Balance						Balance		
		July 1, 2011		Draws		Repayments		June 30, 2012	
Line of credit	\$	1,416,438	\$	380,089	\$	-	\$	1,796,527	

#### 10. Conduit Debt Obligation

On July 1, 2001 and September 12, 2005, the EDA issued \$10,000,000 and \$5,000,000 YMCA Revenue Bonds, respectively, to finance the acquisition and construction of the Peninsula Metropolitan YMCA (YMCA). On July 13, 2004, the EDA issued \$7,500,000 Hampton-Newport News Community Services Board (HNNCSB) revenue bonds to acquire the former Hampton Medical Center and to finance improvements. The costs of financing the projects, all expenses of issuing the bonds and the payments of bond principals and interest are the responsibility of the YMCA, the NSA, and the HNNCSB, respectively. The bonds provide that neither the EDA nor the City shall be obligated to pay the bonds or interest thereon or other costs incident thereto. At June 30, 2012, \$15,900,374 remained outstanding.

### 11. Fund Balances

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

	General	Debt Service	Capital Projects	Total Governmental Funds
Nonspendable				
Notes Receivable	\$ 254,474	\$ -	\$ -	\$ 254,474
Total nonspendable	254,474	-	-	254,474
Restricted				
Asset Forfeiture	13,063	-	-	13,063
4 For Life	14,742	-	-	14,742
Fire	86,004	-	-	86,004
Heritage Park Contributions	16,060	-	-	16,060
Library Contributions	9,543	-	-	9,543
CDBG Program Revenue	36,438	-	-	36,438
Streets and Drainage	-	-	590,542	590,542
Contributions - Kids Island	-	-	1,227	1,227
Bond Proceeds		-	270,337	270,337
Total restricted	175,850	-	862,106	1,037,956
Assigned				
General Government & Administration	25,305	=	-	25,305
Public Safety & Judicial	11,846	=	-	11,846
Public Works	28,187	-	-	28,187
Health & Welfare	9,390	=	-	9,390
Parks, Recreational, & Cultural	10,772	-	-	10,772
Community Development	1,888	-	-	1,888
Non-departmental	14,261	-	-	14,261
Subsequent year's budget	577,416	-	-	577,416
Debt service	-	2,718	-	2,718
Capital projects			373,364	373,364
Total assigned	679,065	2,718	373,364	1,055,147
Unassigned	4,498,417	<u> </u>		4,498,417
Total fund balances	\$ 5,607,806	\$2,718	\$1,235,470	\$ 6,845,994

### 12. Deferred Revenue

Deferred revenue for the Primary Government at June 30, 2012, consists of real and personal property taxes not collected within 45 days after June 30, 2012.

### 13. Contingency

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

#### 14. Interfund Transfers

Interfund transfers for the year ended June 30, 2012 are as follows:

	 Transfers In	Transfers Out
General Fund	\$ 32,500	\$ 2,372,606
Debt Service Fund	2,039,547	-
Capital Projects Fund	181,760	-
Parks and Recreation Fund	79,199	-
Sewer Operations Fund	-	32,500
Solid Waste Fund	72,100	-
	\$ 2,405,106	\$ 2,405,106

### Purpose:

Transfers from General Fund:

\$ 2,039,547	Debt Service Fund: current year debt payments
\$ 79,199	Parks and Recreation Fund: fund deficit in field and pool activities
\$ 181,760	Capital Projects Fund: fund a capital project
\$ 72,100	Solid Waste Fund: fund deficit in bulky and landscaping programs

Transfers from Sewer Operations Fund:

\$ 32,500 General Fund: allocate administration costs paid out of General Fund for sewer services

### 15. Surety Bonds

The City maintained the following surety bond coverage's on certain employees of the Primary Government and component unit during the fiscal year ended June 30, 2012:

<u>Description</u>	 Amount
Virginia Municipal Liability Pool - All City employees -	\$ 1,000,000
employee dishonesty blanket bond	
Virginia Municipal Liability Pool	
Patricia McDowell, Clerk of the School Board	10,000
Linda Reviea, Deputy Clerk of the School Board	10,000
All School Board employees, blanket bond	1,000,000

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

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

### 16. Related Party Transactions

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Council Workforce Development (PCWD), the Colonial Behavioral Health (CBH) and the Hampton Roads Partnership (HRPC). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2012, the City provided support or paid for services to HRPDC of \$30,363, VPPSA of \$271,582, PCWD of \$5,847, CBH of \$144,210 and HRPC of \$4,900.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During FY 2012, the City incurred expenses for the regional jail and juvenile detention center of \$167,434 and \$49,966, respectively. Notes issued by the regional jail are limited obligations payable from revenues received from the member jurisdictions. The City, along with three other member jurisdictions, have agreed to provide funding makeup support to cover any deficiencies in the regional jail's debt service fund based on each member's utilization rate.

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

The City of Poquoson shares certain services and their associated costs with York County, including the Circuit Court, the Commonwealth's Attorney, Sheriff of York County and E911 operations. The City also shares social services with York County. During the year ended June 30, 2012, the City paid \$932,740 to York County for these shared services.

The School Board's financial statements do not include the New Horizons Education Center. During the year ended June 30, 2012, the School Board provided support of \$439,071 to the New Horizons Education Center.

### 17. Retirement Plan

### A. Plan Description

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

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

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

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

### 17. **Retirement Plan** (Continued)

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <a href="http://www.varetire.org/Pdf/Publications/2011-annual-report-pdf">http://www.varetire.org/Pdf/Publications/2011-annual-report-pdf</a> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

### **B.** Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's and School Board's (non-professional employees) contribution rate for the year ended June 30, 2012, was 8.61% and 10.39%, respectively, of annual covered payroll.

The School Board's required employer contributions to the teacher cost-sharing pool for all professional employees for the fiscal years ended 2012, 2011 and 2010 were \$1,067,773, \$1,032,312, and \$1,554,807, respectively. The School Board contributed 100% of required contributions to the pool for fiscal year ended 2012 and each of the two preceding years.

### 17. Retirement Plan (Continued)

#### C. Annual Pension Costs

For the Fiscal Year ended 2012, the City's annual pension cost of \$437,713 was equal to the City's required and actual contributions. For the Fiscal Year ended 2012, the School Board's annual pension cost of \$67,371 was equal to the School Board's required and actual contributions.

Three-Year Trend Information for the City of Poquoson

### City of Poquoson

Fiscal Year	A	annual Pension	Percentage of	Net Pension
Ending		Cost (APC)	APC Contributed	Obligation
June 30, 2012	\$	437,713	100%	\$ -
June 30, 2011	\$	422,972	100%	\$ -
June 30, 2010	\$	428,677	100%	\$ -

### **Component Unit - School Board (non-professional)**

Fiscal Year	I	Annual Pension	Percentage of	Net Pension
Ending		Cost (APC)	APC Contributed	Obligation
June 30, 2012	\$	67,371	100%	\$ -
June 30, 2011	\$	75,750	100%	\$ -
June 30, 2010	\$	98,370	100%	\$ -

The FY 2012 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7%, (b) projected salary increased ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhances benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 members and 2.25% for Plan 2 members.. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the mark value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years decreasing by one each year in subsequent valuations until reaching 20 years..

### D. Funded Status

As of June 30, 2011 for the City, the most recent actuarial valuation date, the plan was 80.21% funded. The actuarial accrued liability for benefits was \$25,082,346, and the actuarial value of assets was \$20,118,943, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,963,403. The covered payroll (annual payroll of active employees covered by the plan) was \$4,935,789, and the ratio of the UAAL to the covered payroll was 100.56%.

As of June 30, 2011 for the School Board, the most recent actuarial valuation date, the plan was 71.09% funded. The actuarial accrued liability for benefits was \$2,333,948, and the actuarial value of assets was \$1,659,101, resulting in an unfunded actuarial accrued liability (UAAL) of \$674,747. The covered payroll (annual payroll of active employees covered by the plan) was \$549,819, and the ratio of the UAAL to the covered payroll was 122.72%.

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

### **Plan Description**

The City and School Board administer a single-employer defined benefit post employment health care plan that covers all current retirees and covered dependents and will provide coverage for all future retirees and their covered dependents. Employees who are eligible for the health plan under normal retirement must have a combination of age (minimum 50 years) and years of service (minimum of 5 years) equal to 70. During the year, 122 employees were participating in the City's plan at a cost of \$53,780 and 313 employees were participating in the School Board's plan at a cost of \$54,114. Separate stand-alone statements are not issued for this plan.

### **Funding Policy**

The City Council and the School Board have the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% - 100% of the premiums based on the retiree's years of continuous heath care coverage and the health care option selected by the retirees. The employer contributions are financed based on a pay-as-you-go basis. During the fiscal year ending 2012, the City and School Board made contributions amounting to \$12,594 and \$99,200, respectively.

### **Annual OPEB Cost and Net OPEB Obligation**

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

	City of	Co	mponent Unit
	 Poquoson	S	chool Board
Annual required contribution	\$ 53,780	\$	54,114
Interest on net OPEB obligation	5,335		7,540
Adjustment to ARC	 (5,445)		(7,695)
Annual OPEB cost	53,670		53,959
Contributions made	(12,594)		(99,200)
Increase in net OPEB obligation	41,076		(45,241)
Net OPEB obligation - beginning of year	133,382		188,491
Net OPEB obligation - end of year	\$ 174,458	\$	143,250

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

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

The City's and the School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2012 were as follows:

				Percentage of		
				Annual		
Fiscal Year	An	nual OPEB	Employer	<b>OPEB</b> Cost	N	et OPEB
Ended		Cost	Credit	Contributed	O	bligation
June 30, 2012	\$	53,670	\$ (12,593)	23%	\$	174,458
June 30, 2011	\$	66,611	\$ 11,189	-17%	\$	133,382
June 30, 2010	\$	59,873	\$ (38,192)	64%	\$	55,582

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

				Percentage of		
				Annual		
Fiscal Year	An	nual OPEB	Employer	<b>OPEB</b> Cost	N	et OPEB
Ended		Cost	Credit	Contributed	C	Obligation
June 30, 2012	\$	53,959	\$ (99,200)	184%	\$	143,250
June 30, 2011	\$	105,342	\$ 5,612	-5%	\$	188,491
June 30, 2010	\$	77,655	\$ (34,999)	45%	\$	77,537

### **Funded Status and Funding Progress**

Based on the most recent actuarial valuation for the fiscal year ended June 30, 2012, the funded status of the plan was as follows:

	City of	Co	mponent Unit
	Poquoson	S	chool Board
Actuarial accrued liability (AAL)	\$ 848,323	\$	503,390
Actuarial value of plan assets	-		-
Unfunded actuarial accrued liability (UAAL)	\$ 848,323	\$	503,390
Funded ratio (actuarial value of plan assets/AAL)	0%		0%
Covered payroll (active plan members)	\$ 6,251,323	\$	11,631,825
UAAL as a percentage of covered payroll	13.57%		4.33%

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

### **Actuarial Methods and Assumptions**

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

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

The OPEB liability was determined on the Projected Unit Credit cost actuarial method. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the City's and the School Board's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 2.5% per year, and an annual healthcare cost trend rate of 9.5% initially for the year ended June 30, 2012, reduced annually by increments, to an ultimate rate of 5% for the fiscal year ending June 30, 2021. In calculating the fiscal year annual required contribution the initial unfunded actuarial accrued liability, actuarial gains and actuarial losses were amortized over an open 30-year period as a level percentage of projected payroll.

### **Schedule of Funding Progress**

### City of Poquoson

. 1	Acti	ıarial		Accrued Liability					UAAL as a Percentage
Actuarial	Val	ue of	P	rojected	Unf	funded AAL	Funded	Covered	of Covered
Valuation	As	sets	U	nit Credit		(UAAL)	Ratio	Payroll	Payroll
Date	(	a)		(b)		(b-a)	(a/b)	(c)	((b-a)/c)
7/1/2011	\$	-	\$	848,323	\$	848,323	0%	\$ 6,251,323	13.57%
7/1/2010	\$	-	\$	745,924	\$	745,924	0%	\$ 5,561,270	13.41%
7/1/2009	\$	-	\$	636,500	\$	636,500	0%	\$ 5,675,321	11.20%

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

			A	Accrued					UAAL as a
	Acti	uarial	I	Liability					Percentage
Actuarial	Val	ue of	P	rojected	Unf	unded AAL	Funded	Covered	of Covered
Valuation	As	sets	Uı	nit Credit	(	(UAAL)	Ratio	Payroll	Payroll
Date	(	a)		(b)		(b-a)	(a/b)	(c)	((b-a)/c)
Date 7/1/2011	\$	a) -	\$	(b) 503,390	\$	(b-a) 503,390	(a/b) 0%	(c) \$ 11,631,825	((b-a)/c) 4.33%
	`		\$ \$	` '	\$ \$	,	, ,	( )	

### 19. Risk Management

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

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

#### 20. Commitments

The City entered into contracts for the construction of a public works administrative building. The contracts for elementary school and public works administrative building totaled \$17,872,219 with \$272,967 outstanding and \$228,800 with \$222,332 outstanding, respectively, at June 30, 2012.

#### 21. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to assign that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund of the City. At June 30, 2012, the General Fund had outstanding encumbrances in the amount of \$101,649.

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

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

\* \* \* \* \*





Revenues and other financing sources  Revenue from local sources  General property taxes  Real property taxes  Public service corporation property taxes  Personal property  Penalties and interest  Total general property taxes	\$ 13,438,000 138,000 2,290,000 157,000 16,023,000 922,000 510,000 60,000	\$ 13,438,000 138,000 2,290,000 157,000 16,023,000 922,000 510,000	\$ 13,623,706 188,519 2,394,121 154,725 16,361,071 940,251 578,581	\$ 185,706 50,519 104,121 (2,275) 338,071
General property taxes Real property taxes Public service corporation property taxes Personal property Penalties and interest	138,000 2,290,000 157,000 16,023,000 922,000 510,000	138,000 2,290,000 157,000 16,023,000 922,000	188,519 2,394,121 154,725 16,361,071 940,251	\$ 50,519 104,121 (2,275) 338,071
Real property taxes Public service corporation property taxes Personal property Penalties and interest	138,000 2,290,000 157,000 16,023,000 922,000 510,000	138,000 2,290,000 157,000 16,023,000 922,000	188,519 2,394,121 154,725 16,361,071 940,251	\$ 50,519 104,121 (2,275) 338,071
Public service corporation property taxes Personal property Penalties and interest	138,000 2,290,000 157,000 16,023,000 922,000 510,000	138,000 2,290,000 157,000 16,023,000 922,000	188,519 2,394,121 154,725 16,361,071 940,251	\$ 50,519 104,121 (2,275) 338,071
Personal property Penalties and interest	2,290,000 157,000 16,023,000 922,000 510,000	2,290,000 157,000 16,023,000 922,000	2,394,121 154,725 16,361,071 940,251	104,121 (2,275) 338,071
Penalties and interest	157,000 16,023,000 922,000 510,000	157,000 16,023,000 922,000	154,725 16,361,071 940,251	(2,275)
	922,000 510,000	16,023,000 922,000	16,361,071 940,251	338,071
Total general property taxes	922,000 510,000	922,000	940,251	· ·
	510,000			10.271
Other local taxes	510,000			10 271
Sales and use taxes	510,000			18,251
Meals taxes	60.000		3/0,301	68,581
Cigarette taxes		60,000	60,293	293
Consumers' utility taxes	280,000	280,000	284,289	4,289
Consumption tax	41,500	41,500	37,846	(3,654)
Business license taxes	400,000	400,000	416,863	16,863
Bank stock taxes	49,000	49,000	33,483	(15,517)
Recordation and wills taxes	190,000	190,000	158,706	(31,294)
Deeds of conveyance	25,000	25,000	19,683	(5,317)
Total other local taxes	2,477,500	2,477,500	2,529,995	52,495
Permits, privilege fees and regulatory licenses				
Animal license	4,500	4,500	5,367	867
Permits and other licenses	67,900	67,900	91,947	24,047
Total permits, privilege fees and	07,700	07,700	71,747	24,047
regulatory licenses	72,400	72,400	97,314	24,914
Fines and forfeitures	53,100	53,100	43,603	(9,497)
Revenue from use of money and property				
Revenue from use of money	32,733	32,734	13,700	(19,034)
Revenue from use of property	163,800	163,800	167,573	3,773
Total revenue from use of money				
and property	196,533	196,534	181,273	 (15,261)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources</b> (Continued)				
Charges for services				
Charges for sales of maps	-	-	189	189
Charges for copying	3,300	3,300	3,679	379
Charges for passport processing	20,000	20,000	40,282	20,282
Charges for library and fees	22,000	22,000	30,648	8,648
EMS revenue recovery	200,000	200,000	271,110	71,110
Charges for school grounds maintenance	53,500	53,500	49,188	(4,312)
Total charges for services	298,800	298,800	395,096	96,296
Miscellaneous revenue				
Miscellaneous	16,000	16,000	12,329	(3,671)
Insurance recoveries	-	155,760	156,044	284
Donations-Library	-	19,474	19,551	77
Donations-volunteer fire and rescue	-	2,000	2,000	-
Gain on sale of capital assets	-	13,000	14,357	1,357
Donations	50,000	50,000	5,290	(44,710)
Total miscellaneous revenue	66,000	256,234	209,571	(46,663)
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
DMV reimbursement	105,000	105,000	96,449	(8,551)
Local Aid Contra Revenue	(42,000)	(42,000)	(42,611)	` ' '
Mobile home titling taxes	2,000	2,000	4,619	2,619
Rolling stock tax	-,000	_,000	1	1
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
Total noncategorical aid	1,988,435	1,988,435	1,981,889	(6,546)
Categorical aid				
Shared expenses				
Commissioner of the Revenue	96,383	96,383	96,543	160
Treasurer	86,188	86,188	86,355	167
Registrar/electoral board	34,414	34,414	40,254	5,840
Total categorical aid	216,985	216,985	223,152	6,167
i otal categorical alu	210,903	210,903	443,134	0,107

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources (Continued)		_		
Other categorical aid				
State 599 police funds	233,207	233,207	233,204	(3)
Fire and EMS	39,168	39,168	44,581	5,413
Department of Emergency Services	2,000	2,000	2,000	-
Department of Emergency Services -				
Public Assistance	-	24,500	31,663	7,163
Street and highway maintenance	775,000	775,000	775,000	-
Litter control	-	5,000	5,000	-
Library	136,273	136,273	136,159	(114)
Comprehensive services	173,290	173,290	107,718	(65,572)
State drug seizure	-	2,751	3,834	1,083
Other state grants	-	5,893	15,726	9,833
Total other categorical aid	1,358,938	1,397,082	1,354,885	(42,197)
Total categorical aid	1,575,923	1,614,067	1,578,037	(36,030)
<b>Total revenue from the Commonwealth</b>	3,564,358	3,602,502	3,559,926	(42,576)
Revenue from the federal government				
FEMA-Public Assistance	-	183,750	189,559	5,809
Miscellaneous	5,500	117,037	59,815	(57,222)
Total revenue from the federal government	5,500	300,787	249,374	(51,413)
Other financing sources				
Transfer from sewer fund	130,000	130,000	32,500	(97,500)
Transfer from unapproprated fund	285,027	880,444	-	(880,444)
Total other financing uses	415,027	1,010,444	32,500	(977,944)
Total revenue and other financing sources	\$ 23,172,218	\$ 24,291,301	\$ 23,659,723	\$ (631,578)

	Origir Budg		Final Budget	(I	Actual Budgetary Basis)	Fir	iance With nal Budget Positive Negative)
Expenditures and other financing uses							
General government administration							
Legislative - City Council	\$ 70	,005	\$ 70,005	\$	67,083	\$	2,922
General and financial administration							
City Manager		,972	414,472		414,466		6
Legal services		,150	110,150		102,197		7,953
Independent auditor		,200	31,200		30,485		715
Commissioner of the Revenue		,167	279,167		278,380		787
Assessor/equalization board	170	,644	170,644		169,500		1,144
Treasurer	340	,795	340,795		321,071		19,724
Finance	328	,542	328,542		328,438		104
Technology	43	,500	43,500		43,292		208
Risk management	82	,492	258,492		256,586		1,906
Total general and financial administration	1,784	,462	1,976,962		1,944,415		32,547
Board of elections - electoral board and registrar <b>Total general government administration</b>	2,014	,413	160,413 2,207,380		153,747 2,165,245		6,666 42,135
Judicial Administration							
Courts	241	,118	241,118		233,522		7,596
Sheriff	167	,000	167,000		169,177		(2,177)
Total judicial administration		,118	408,118		402,699		5,419
Public Safety							
Law enforcement and traffic control -							
police department	2,339	,077	2,437,355		2,304,530		132,825
Fire and rescue services - fire department	2,566	,498	2,630,685		2,449,416		181,269
Correction and detention -							
regional operated institutions	204	,130	224,130		222,806		1,324
Inspections - various	341	,009	403,009		401,519		1,490
Other protection - animal control	85	,445	86,845		86,627		218
Total public safety	5,536	,159	5,782,024		5,464,898		317,126

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Expenditures and other financing uses</b> (Continued)				
Public works				
Maintenance of highways, streets, bridges and sidewalks				
General engineering/administration	100,271	100,271	100,238	33
Highways, streets, bridges and sidewalks	1,357,620	1,370,620	1,332,593	38,027
Street lights	75,000	79,000	78,936	64
Total maintenance of highways, streets,				
bridges, and sidewalks	1,532,891	1,549,891	1,511,767	38,124
Maintenance of general buildings and grounds	69,430	69,430	69,058	372
Total public works	1,602,321	1,619,321	1,580,825	38,496
Health and welfare Health Local health department Mosquito control Total health	35,539 234,816 270,355	37,539 234,816 272,355	37,061 234,357 271,418	478 459 937
Mental health and mental retardation - mental health	189,370	189,370	189,370	-
Welfare				
Social services	278,639	276,639	254,184	22,455
Comprehensive services	250,000	250,000	173,544	76,456
Total welfare	528,639	526,639	427,728	98,911
Total health and welfare	988,364	988,364	888,516	99,848
Education - School Board	8,653,353	8,826,375	8,796,662	29,713
<b>Total education</b>	8,653,353	8,826,375	8,796,662	29,713
Parks, recreation and cultural - supervision of parks and recreation	277,310	277,310	277,083	227
Library - administration	753,468	795,283	784,173	11,110
Total parks, recreation and cultural	1,030,778	1,072,593	1,061,256	11,337
i our paris, recreation and cultural	1,030,770	1,012,575	1,001,230	11,557

Expenditures and other financing uses (Continued)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variand Final I Posi (Nega	Budget tive
Community development					
Planning	314,985	314,985	302,733	1	12,252
Economic development	82,089	155,209	129,020	2	26,189
Community development	141,185	146,186	142,409		3,777
Total community development	538,259	616,380	574,162	2	12,218
Nondepartmental - miscellaneous	40,000	34,000	33,705		295
Department of motor vehicles	106,440	106,440	100,851		5,589
Recovery - Hurricane Irene	-	245,000	239,223		5,777
Total nondepartmental	146,440	385,440	373,779	1	11,661
Other Financing Uses					
Transfers to Debt Service Fund	2,052,246	2,052,246	2,039,547	1	12,699
Transfers to Capital Projects Fund	50,000	181,760	181,760		-
Transfers to Solid Waste Fund	72,100	72,100	72,100		_
Transfers to Parks Recreation Fund	79,200	79,200	79,199		1
Total other financing uses	2,253,546	2,385,306	2,372,606	1	12,700
Total expenditures and other financing uses	\$ 23,172,218	\$ 24,291,301	\$ 23,680,648	\$ 61	10,653
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ -	\$ -	\$ (20,925)	\$ (2	20,925)
Less - Encumbrances outstanding June 30, 2011, actually expended as of June 30, 2012			(162,865)		
Add - Encumbrances outstanding June 30, 2012			101,649		
The Grant Fund is consolidated into the General Fund for reporting purposes:					
Investment Income Community Development Expenditures			56 (885)		
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses, GAAP basis			(82,970)		
Fund balances, July 1, 2011			5,690,776		
Fund balances, June 30, 2012			\$ 5,607,806	1	

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

Year Ended June 30, 2012

## **Schedules of Funding Progress**

								Unfunded
								Actuarial
				1	Unfunded			Liability as
	Actuarial	Actuarial	Actuarial		Actuarial			a Percentage
	Valuation	Valuation of	Accrued		Accrued	Funded	Covered	of Covered
	Date	Assets	Liability		Liability	Ratio	Payroll	Payroll
City Employees	6/30/11	\$20,118,943	\$25,082,346	\$	4,963,403	80.21%	\$ 4,935,789	100.56%
	6/30/10	\$19,603,136	\$23,306,814	\$	3,703,678	84.11%	\$ 5,022,695	73.74%
	6/30/09	\$19,500,696	\$21,541,226	\$	2,040,530	90.53%	\$ 5,561,622	36.69%
School Board								
Non-professional Employees	6/30/11	\$ 1,659,101	\$ 2,333,948	\$	674,747	71.09%	\$ 549,819	122.72%
	6/30/10	\$ 1,637,087	\$ 2,299,015	\$	661,928	71.21%	\$ 631,722	104.78%
	6/30/09	\$ 1,590,308	\$ 2,120,722	\$	530,414	74.99%	\$ 694,281	76.40%

## **Schedules of Employer Contributions**

			Annual			
		I	Required	Percentage	N	Net
	Valuation	Contribution of ARC		of ARC	Pension	
	Date		(ARC)	Contributed	Obli	igation
City Employees	6/30/12	\$	719,375	100.00%	\$	-
	6/30/11	\$	698,972	100.00%	\$	-
	6/30/10	\$	740,737	100.00%	\$	-
School Board						
Non-professional Employees	6/30/12	\$	67,371	100.00%	\$	-
	6/30/11	\$	75,750	100.00%	\$	-
	6/30/10	\$	98,370	100.00%	\$	-

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

Year Ended June 30, 2012

## **Schedules of Funding Progress**

										Unfunded
										Actuarial
				1	Accrued	1	Unfunded			Liability as
	Actuarial	Ac	tuarial	I	Liability		Actuarial			a Percentage
	Valuation	Va	lue of	P	rojected		Accrued	Funded	Covered	of Covered
	Date	Α	ssets	U	nit Credit		Liability	Ratio	Payroll	Payroll
City of Poquoson	7/1/11	\$	-	\$	848,323	\$	848,323	0.00%	\$ 6,251,323	13.57%
	7/1/10	\$	-	\$	745,924	\$	745,924	0.00%	\$ 5,561,270	13.41%
	7/1/09	\$	-	\$	636,500	\$	636,500	0.00%	\$ 5,675,321	11.20%
Component Unit -										
School Board	7/1/11	\$	-	\$	503,390	\$	503,390	0.00%	\$ 11,631,825	4.33%
	7/1/10	\$	-	\$	781,287	\$	781,287	0.00%	\$ 11,603,841	6.73%
	7/1/09	\$	-	\$	681,279	\$	681,279	0.00%	\$ 12,452,785	5.47%

### **Schedules of Employer Contributions**

			Annual			
	Actuarial	R	Required	Percentage		Net
	Valuation	Cor	ntribution	of ARC	J	Pension
	Date		(ARC)	Contributed	0	bligation
City of Poquoson	7/1/11	\$	53,780	23.42%	\$	174,459
	7/1/10	\$	66,657	(16.79)%	\$	133,382
	7/1/09	\$	59,901	63.80%	\$	55,582
Component Unit -						
School Board	7/1/11	\$	54,114	183.32%	\$	143,250
	7/1/10	\$	105,407	(5.33)%	\$	188,491
	7/1/09	\$	77,684	45.00%	\$	77,537

### Notes to Required Supplementary Information

### June 30, 2012

### 1. Budgets and Budgetary Accounting

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

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

Budgets for proprietary fund types are prepared on the accrual basis of accounting but are not legally adopted. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for the recognition of encumbrances as expenditures. Budgets for Capital Projects and debt service funds are not legally adopted budgets.

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

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

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

\* \* \* \* \*







# Combining Balance Sheet - Component Unit - School Board

# June 30, 2012

		Governmen	tal A		-	Total School	
Assets	General Revenue			Special Revenue		Board	
Cash and cash equivalents	\$	2,517,151	\$	77,782	\$	2,594,933	
Due from other governmental units		711,359		-		711,359	
Due from special revenue fund		29,081				29,081	
Inventory		-		10,345		10,345	
Total assets	\$	3,257,591	\$	88,127	\$	3,345,718	
Liabilities							
Vouchers and accounts payable	\$	2,289,161	\$	59,777	\$	2,348,938	
Due to primary government		29,910		-		29,910	
Due to general fund		-		29,081		29,081	
Total liabilities		2,319,071		88,858		2,407,929	
Fund Balances							
Restricted		-		(731)		(731)	
Assigned, education		938,520		-		938,520	
Unassigned		-		_		-	
Total fund balances		938,520		(731)		937,789	
Total liabilities and fund balances	\$	3,257,591	\$	88,127	\$	3,345,718	

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

(Continued)

### June 30, 2012

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

Total fund balances - Component Unit - School Board

\$ 937,789

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.

5,388,920

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(543,116)

Total net assets - Component Unit - School Board

\$ 5,783,593

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

	General Fund			Special Revenue		Total School Board	
Revenues		Tuna	Revenue			Bourd	
Charges for services	\$	_	\$	338,303	\$	338,303	
Intergovernmental	,		_	,	_	223,232	
Commonwealth of Virginia		10,190,949		8,123		10,199,072	
Federal government		1,826,817		173,422		2,000,239	
Local government		9,032,187		-	9,032,187		
Total revenues		21,049,953		519,848	21,569,801		
Expenditures							
Current							
Education		20,659,411		738,949		21,398,360	
Total expenditures		20,659,411		738,949		21,398,360	
Excess (deficiency) of revenues over expenditures		390,542		(219,101)		171,441	
Other financing sources (uses)							
Transfers in		_		188,498		188,498	
Transfers out		(188,498)		-		(188,498)	
Total other financing sources, net		(188,498)		188,498		=	
Net change in fund balance		202,044		(30,603)		171,441	
Fund balance, July 1, 2011		736,476		29,872		766,348	
Fund balance, June 30, 2012	\$	938,520	\$	(731)	\$	937,789	

(Continued)

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

### Year Ended June 30, 2012

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

Net change in fund balances - total School Board funds

\$ 171,441

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

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

Depreciation expense (1,041,776)

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

Other post employment benefit obligation

45,241

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

1,200,410

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

(4,346)

Change in net assets of governmental activities

\$ 370,970

# Budgetary Comparison Schedule - General Fund - School Board

	General Fund							
		Original Budget		Final Budget		Actual		Variance With Final Budget Positive (Negative)
Revenues	_	Buager		Buager		1101441		(Treguitye)
Intergovernmental								
Commonwealth of Virginia	\$	10,104,740	\$	10,256,848	\$	10,190,949	\$	(65,899)
Federal government		893,878		2,821,360		1,826,817		(994,543)
Local government		8,653,352		8,937,399		9,032,187		94,788
Miscellaneous		166,400		135,675		-		(135,675)
Total revenues		19,818,370		22,151,282		21,049,953		(1,101,329)
Expenditures								
Current								
Instruction		14,436,993		14,141,913		15,127,709		(985,796)
Division-wide		914,162		964,388		977,478		(13,090)
Transportation		770,250		819,545		822,856		(3,311)
Operation and maintenance		1,752,782		1,767,064		1,632,246		134,818
Food service		117,776		117,776		80,793		36,983
Technology		932,529		747,729		653,632		94,097
Grants		749,378		3,448,367		1,566,741		1,881,626
Total expenditures		19,673,870		22,006,782		20,861,455		1,145,327
Other financing sources (uses)								
Transfer out - special revenue fund		(144,500)		(144,500)		(188,498)		(43,998)
<b>Total other financing sources (uses)</b>		(144,500)		(144,500)		(188,498)		(43,998)
Excess of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$	-	\$	-	\$	-	\$	-
Less - encumbrances oustanding June 30, 2011, actually expended as of June 30, 2012						(736,476)		
Add - encumbrances oustanding June 30, 2012						938,520		
Excess of revenue and other financing sources over (under) expenditures and other financing uses - GAAP basis						202,044		
Fund balance, June 30, 2011								
						736,476		
Fund balance, June 30, 2012					\$	938,520		

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Education	\$ 41,834,757	\$ 486,488	\$ -	\$ 42,321,245
Less - accumulated depreciation	(10,219,138) 31,615,619	(1,041,776) (555,288)	-	(11,260,914) 31,060,331
Allocation of assets to City, net	(26,385,333)	713,922	-	(25,671,411)
	\$ 5,230,286	\$ 158,634	\$ -	\$ 5,388,920

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

### Year Ended June 30, 2012

(School Activity Funds and Instructional Support Fund)

Assets	Balance July 1, 2011 A			Additions	ns Deductions			Balance June 30, 2012		
Cash and cash equivalents	\$	357,774	\$	803,661	\$	799,380	\$	362,055		
Liabilities										
Due to students	\$	357,774	\$	803,661	\$	799,380	\$	362,055		

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

	<b>Balance July 1, 2011</b> Add			litions	Ded	uctions	Balance June 30, 2012		
Assets									
Cash and cash equivalents	\$	38,200	\$	58	\$	-	\$	38,258	
Liabilities									
Amounts held for others	\$	38,200	\$	58	\$	-	\$	38,258	

# Statement of Cash Flows - Component Unit - Economic Development Authority

Year Ended June 30, 2012	 
Cash flows from operating activities	
Received from customers and users	\$ 30,849
Payments to suppliers for goods and services	(2,046)
Net cash provided by operating activities	 28,803
Cash flows from capital and related financing activities	
Interest paid on capital debt	(42,835)
Purchase of capital assets	-
City appropriations	12,000
Proceeds from line of credit	 380,088
Net cash used in capital and related financing activities	 349,253
Net increase in cash and cash equivalents	378,056
Cash and cash equivalents, beginning of year	 (367,463)
Cash and cash equivalents, end of year	\$ 10,593
Reconciliation of operating income to net cash	
provided by operating activities	
Operating income (loss)	\$ 10,826
Adjustments	
Depreciation and amortization	23,608
Changes in assets and liabilities	
Accounts receivable	(9,402)
Accounts payable	 3,771
Net cash provided by operating activities	\$ 28,803





**Statistical Section** 



### Statistical Section Overview

#### June 30, 2012

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

#### **Contents**

Financial Trends Tables 1 - 4

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

Revenue Capacity

Tables 5 - 7

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

Debt Capacity Tables 8 - 10

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

### **Demographic and Economic Information**

**Tables 11 - 12** 

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

### **Operation Information**

**Tables 13 - 15** 

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

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

\* \* \* \* \*

# Net Assets by Component (unaudited)

Last Ten Fiscal Years		2012	2011	2010	2009	2008	2007	2006		2005	2004	2003
Governmental activities												
Invested in capital assets,												
net of related debt	\$	16,838,143	\$ 17,593,261	\$ 17,493,727	\$ 18,654,461	\$ 12,045,582	\$ 17,183,471	\$ 10,104,292 \$	, ,	7,579,069	\$ 6,026,883	\$ 5,133,63
Restricted		1,037,956	-	-	-	-	-	-		-	-	-
Unrestricted		5,070,860	5,902,110	5,235,762	4,668,824	9,164,683	3,057,158	5,044,143	:	5,765,548	4,925,489	4,959,72
Total governmental activities	\$	22,946,959	\$ 23,495,371	\$ 22,729,489	\$ 23,323,285	\$ 21,210,265	\$ 20,240,629	\$ 15,148,435 \$	1	3,344,617	\$ 10,952,372	\$ 10,093,365
Business-type activities												
Invested in capital assets -												
net of related debt	\$	5,094,194	\$ 5,073,709	\$ 4,923,135	\$ 5,595,258	\$ 5,518,765	\$ 5,516,767	\$ 5,502,835 \$	:	5,164,685	\$ 5,232,966	\$ 4,693,01
Restricted - debt service		-	-	-	-	-	-	-		-	-	598,11
Restricted - sewer improvements		-	-	-	-	-	-	-		-	71,623	-
Unrestricted		588,681	499,193	1,358,338	1,038,282	1,454,510	1,808,221	1,690,392		1,854,439	1,459,144	1,704,13
Total business-type activities	\$	5,682,875	\$ 5,572,902	\$ 6,281,473	\$ 6,633,540	\$ 6,973,275	\$ 7,324,988	\$ 7,193,227 \$	, ,	7,019,124	\$ 6,763,733	\$ 6,995,26
Primary government												
Invested in capital assets -												
net of related debt	\$	21,932,337	\$ 22,199,083	\$ 22,416,862	\$ 24,249,719	\$ 17,564,347	\$ 22,700,238	\$ 15,607,127 \$	13	2,743,754	\$ 11,259,849	\$ 9,826,65
Restricted		1,037,956	-	-	-	-	-	-		-	-	-
Restricted - debt service		-	-	-	-	-	-	-		-	-	598,11
Restricted - sewer improvements		-	-	-	-	-	-	-		-	71,623	-
Unrestricted		5,659,541	6,401,303	6,594,100	5,707,106	10,619,193	4,865,379	6,734,535		7,619,987	6,384,633	6,663,860
Total primary government	¢	28.629.834	\$ 28,600,386	\$ 29.010.962	\$ 29,956,825	\$ 28.183.540	27.565.617	22.341.662 \$	5 20	0.363.741	\$ 17.716.105	17.088.626

# Change in Net Assets (unaudited)

Last Ten Fiscal Years	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities										
General government	\$ 3,058,270	\$ 2,328,395	\$ 2,960,944	\$ 2,735,018	\$ 1,415,530	\$ 4,532,796	\$ 2,379,161	\$ 1,846,634	\$ 1,569,814	\$ 1,480,465
Public safety and judicial	6,296,795	6,147,949	6,016,699	5,844,764	6,668,792	5,514,359	4,896,621	4,931,153	4,101,007	3,968,182
Public works	1,875,113	1,883,380	950,043	1,780,286	1,587,249	1,511,607	1,327,111	1,694,612	1,659,214	1,472,320
Health and welfare	913,826	817,008	1,022,735	1,162,301	1,081,767	862,689	821,356	840,310	650,092	605,334
Education	9,510,584	9,080,484	10,906,525	8,364,349	8,405,003	8,126,211	7,426,666	7,087,769	6,965,522	6,459,434
Parks and recreation	1,248,643	1,224,910	859,051	1,389,000	1,249,535	18,006	1,030,174	1,343,537	839,537	775,359
Community development	567,672	488,893	547,051	1,272,635	2,327,008	1,081,786	817,214	563,788	636,477	514,618
Interest on long-term debt	1,219,966	1,213,782	1,100,826	1,263,686	1,399,427	1,246,037	462,508	500,461	525,850	561,580
Total governmental activities	24,690,869	23,184,801	24,363,874	23,812,039	24,134,311	22,893,491	19,160,811	18,808,264	16,947,513	15,837,292
Business-type activities										
Sewer	1,447,681	2,057,173	1,685,334	1,534,743	1,604,560	1,596,599	1,554,446	1,537,870	1,609,179	1,657,238
Parks and recreation	455,199	450,025	401,006	463,662	463,668	473,754	587,701	545,799	524,504	543,327
Solid waste	743,280	791,114	766,921	768,565	904,411	595,209	528,325	475,269	446,172	430,223
Total business-type activities	2,646,160	3,298,312	2,853,261	2,766,970	2,972,639	2,665,562	2,670,472	2,558,938	2,579,855	2,630,788
Total expenses	\$ 27,337,029	\$ 26,483,113	\$ 27,217,135	\$ 26,579,009	\$ 27,106,950	\$ 25,559,053	\$ 21,831,283	\$ 21,367,202	\$ 19,527,368	\$ 18,468,080
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 223,152	\$ 223,887	\$ 254,482	\$ 274,901	\$ 157,130	\$ 100,055	\$ 104,747	\$ 100,546	\$ 92,864	\$ -
Public safety and judicial	112,011	300,870	103,169	108,456	102,452	185,842	163,397	118,496	95,621	105,102
Education	49,188	36,347	-	-	102, .52	-	-	-	21,800	21,200
Parks and recreation	74,609	61,820	217.372	55.288	69.952	72,253	24,367	24,543	25,849	22,835
Community development	300,206	33,721	22,614	22,741	36,230	51,543	53,397		109,087	40,392
Nondepartmental		-	,	,		-	-	_		60,266
Operating grants and contributions	1,575,285	1,881,297	1,986,470	1,658,180	2,290,305	2,094,100	2,122,034	2,705,293	1,718,011	1,326,011
Capital grants and contributions	732,846	419,225	330,892	2,873,294	1,745,973	1,260,858	342,400	1,187,904	193,425	694,324
Total governmental activities	3,067,297	2,957,167	2,914,999	4,992,860	4,402,042	3,764,651	2,810,342	4,136,782	2,256,657	2,270,130
Business-type activities										
Charges for services										
Sewer	1,520,017	1,531,319	1,487,157	1,528,438	1,514,893	1,803,913	1,413,403	1,271,539	1,216,215	1,151,403
Solid waste	212,730	189,782	743,965	586,277	511,173	329,172	315,082	340,230	325,361	300,715
Parks and recreation	743,936	755,834	179,070	171,459	177,858	209,147	334,911	325,319	325,083	331,999
Total business-type activities	2,476,683	2,476,935	2,410,192	2,286,174	2,203,924	2,342,232	2,063,396	1,937,088	1,866,659	1,784,117
Total program revenues	\$ 5,543,980	\$ 5,434,102	\$ 5,325,191	\$ 7,279,034	\$ 6,605,966	\$ 6,106,883	\$ 4,873,738	\$ 6,073,870	\$ 4,123,316	\$ 4,054,247
Governmental activities, net expense	\$ (21,623,572)	\$ (20,227,624)	\$ (21,448,875)	\$ (18 810 170)	\$ (10 732 260)	\$ (10 128 940)	\$ (16.350.460)	\$ (14,671,492)	\$ (14,600,856)	\$ (13 567 167
Business-type activities, net expense	(169,477)	(821,377)	(443,069)	(480,796)		(323,330)	(607,076)	(621,850)	(713,196)	(846,671
Total primary government,		·			·					
net expenses	\$ (21,793,049)	\$ (21,049,011)	\$ (21,891,944)	\$ (19,299,975)	\$ (20,500,984)	\$ (19,452,170)	\$ (16,957,545)	\$ (15,293,332)	\$ (15,404,052)	\$ (14,413,833

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# Change in Net Assets (unaudited)

Last Ten Fiscal Years	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 18,228,029	\$ 18,235,363	\$ 18,054,307	\$ 17,989,555	\$ 15,956,711	\$ 15,636,708	\$ 13,053,028	\$ 12,489,445	\$ 11,135,298	\$ 10,796,813
Other taxes	2,529,995	2,464,223	2,451,932	2,537,554	2,613,195	2,541,189	2,792,592	2,635,723	2,524,964	2,442,485
Reimbursements from other agencies	58,458	75,318	102,239	95,694	1,367,713	1,970,935	2,035,707	1,830,047	2,012,657	1,669,092
Payments in lieu of taxes:										
Investment earnings	181,274	183,284	156,139	179,671	728,606	1,085,397	415,638	119,801	-	52,492
Miscellaneous	196,203	(25,102)	51,462	99,725	294,109	146,900	75,005	116,511	83,401	67,633
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(118,799)	80,400	39,000	30,000	(258,430)	(270,005)	(217,683)	(127,800)	(102,200)	(74,000)
Total governmental activities	21,075,160	21,013,486	20,855,079	20,932,199	20,701,904	21,111,124	18,154,287	17,063,727	15,654,120	14,954,515
Business-type activities:										
Investment earnings	32,131	29,476	30,522	29,264	37,001	37,913	23,393	23,888	39,559	84,824
Miscellaneous	128,520	132,530	99,480	141,797	167,035	147,176	540,100	725,553	339,909	318,936
Loss on disposal of capital assets		-	-	-	(45,464)	-	-	-	=	=
Transfers	118,799	(49,200)	(39,000)	(30,000)	258,430	270,005	217,683	127,800	102,200	74,000
Total business-type activities	279,450	112,806	91,002	141,061	417,002	455,094	781,176	877,241	481,668	477,760
Total general revenues and other	<del></del>		· · · · · · · · · · · · · · · · · · ·	·	·			·		
changes in net assets	\$ 21,354,610	\$ 21,126,292	\$ 20,946,081	\$ 21,073,260	\$ 21,118,906	\$ 21,566,218	\$ 18,935,463	\$ 17,940,968	\$ 16,135,788	\$ 15,432,275
Extraordinary item										
Governmental activities										
Hurricane Isabel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (104,257)	\$ -
Change in Net Assets										
Governmental activities	\$ (548,412)	\$ 785,852	\$ (593,796)	\$ 2,113,020	\$ 969,635	\$ 1,982,284	\$ 1,803,818	\$ 2,392,245	\$ 859,007	\$ 1,387,353
Business-type activities	109,973	(708,571)	(352,067)	(339,735)	(351,713)	131,764	174,100	255,391	(231,528)	(368,911)
Total primary government	\$ (438,439)	\$ 77.281	\$ (945.863)	\$ 1.773.285	\$ 617.922	\$ 2,114,048	\$ 1.977.918	\$ 2.647.636	\$ 627.479	\$ 1.018.442

City of Poquoson, Virginia

## Fund Balances - Governmental Funds (unaudited)

•	4		T7.	<b>T</b> 7
L	ast	1 en	Fiscal	Years

	2012	2011	2010	2009	2008	2007		2006	2005	2004	2003
General fund:											
Non-Spendable	\$ 253,823	\$ 273,051	\$ -	\$ -	\$ -	\$ - 5	\$	-	\$ -	\$ -	\$ -
Restricted	175,850	193,477	-	-	-	-		-	-	-	-
Committed		-	-	-	-	-		-	-	-	-
Assigned	679,065	447,892	-	-	-	-		-	-	-	-
Unassigned	4,499,068	4,776,356	-	-	-	-		-	-	-	-
Reserved for:											
Encumbrances & loans	-	-	347,863	392,810	276,571	180,562		125,336	71,459	125,653	114,656
Asset forfeiture	-	-	83,704	89,261	89,594	-		-	-	-	-
Fire department	-	-	100,858	69,671	-	-		-	-	-	-
Library	-	-	13,015	13,861	-	-		-	-	-	-
Heritage Park	-	-	6,060	-	-	-		-	-	-	-
Unreserved	 -	-	4,338,582	3,389,561	3,571,770	4,858,261		4,550,535	4,764,304	4,015,477	4,239,425
Total general fund	\$ 5,607,806	\$ 5,690,776	\$ 4,890,082	\$ 3,955,164	\$ 3,937,935	\$ 5,038,823	\$	4,675,871	\$ 4,835,763	\$ 4,141,130	\$ 4,354,081
All other governmental funds:											
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - 5	\$	-	\$ -	\$ -	\$ -
Restricted	862,106	478,967	-	-	-	-		-	-	-	-
Committed	-	-	-	-	-	-		-	-	-	-
Assigned	376,082	391,118	-	-	-	-		-	-	-	-
Reserved for:											
Purchase of fire truck	-	-	-	-	-	-		-	339,000	-	-
Grants	-	-	-	32,077	27,168	9,738		(73,569)	52,055	-	-
Construction - bond principal	-	-	651,191	826,219	4,244,577	16,196,290		13,433,589	-	-	-
Construction - bond earnings	-	-	-	-	-	82,801		318,938	-	-	-
Encumbrances	-	-	-	-	-	-		-	-	-	-
Unreserved for:											
Designated	-	-	-	-	1,203,324	327,503		1,273,130	747,677	1,024,626	767,291
Unreserved and undesignated	 -	-	258,713	470,991	258,724	385,137		80,000	-	-	
Total all other											
governmental funds	\$ 1,238,188	\$ 870,085	\$ 909,904	\$ 1,329,287	\$ 5,733,793	\$ 17,001,469	\$ :	15,032,088	\$ 1,138,732	\$ 1,024,626	\$ 767,291

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

# Changes in Fund Balances - Governmental Funds (unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
General property taxes \$	16,361,071 \$	16,296,911 \$	16,023,837 \$	16,034,422 \$	16,127,168 \$	15,562,860 \$	13,012,958 \$	12,488,453 \$	11,226,560 \$	10,859,951
Other local taxes	2,529,995	2,464,223	2,451,932	2,537,554	2,613,195	2,541,189	2,792,592	2,635,722	2,524,964	2,442,485
Permits, privilege fees and regulatory licenses	97,314	78,464	70,947	83,775	98,233	162,218	173,401	172,455	173,525	116,843
Fines and forfeitures	43,603	54,907	54,836	46,859	38,201	73,942	37,283	30,583	24,605	27,970
Revenue from use of money and property	183,310	183,282	157,426	224,492	825,346	1,171,832	503,615	202,548	58,937	132,706
Charges for services	395,096	299,386	217,372	55,909	71,505	72,749	29,694	30,318	31,740	23,132
Intergovernmental	4,513,171	4,416,734	4,597,512	4,871,491	6,017,329	5,389,676	4,898,316	5,324,277	3,694,854	3,670,215
Miscellaneous	215,548	128,881	60,625	86,991	320,188	94,093	37,381	93,385	369,054	88,481
Total revenues	24,339,108	23,922,788	23,634,487	23,941,493	26,111,165	25,068,559	21,485,240	20,977,741	18,104,239	17,361,783
E										
Expenditures										
Current	0.175.064	2 106 211	1 004 401	2 224 651	2.010.674	1.020.226	1.754.222	1 542 020	1 220 271	1 072 661
General government and administration	2,175,864	2,106,211	1,924,481	2,324,651	2,018,674	1,938,236	1,754,223	1,543,930	1,330,271	1,273,661
Public safety and judicial	5,909,331	5,765,369	5,601,358	5,328,217	5,952,162	5,235,778	4,857,162	4,440,330	4,007,945	3,774,685
Public works	1,596,143	1,516,878	1,530,904	1,535,411	1,503,219	1,428,384	1,232,132	1,284,108	1,125,448	1,013,082
Health and welfare	897,082	802,490	1,016,083	1,131,499	1,067,418	843,523	802,295	819,499	657,485	601,282
Parks, recreation, and cultural	1,057,553	1,016,944	1,003,795	1,169,328	1,175,226	1,034,306	935,543	830,797	763,681	763,866
Community development	577,990	490,912	529,529	1,236,529	2,222,658	1,544,499	640,718	507,520	535,757	452,374
Nondepartmental	359,518	112,981	329,279	134,282	218,133	173,643	140,315	127,144	115,105	78,254
Education	8,796,662	8,578,675	8,008,392	8,078,598	8,147,463	7,880,000	7,555,104	7,311,063	6,728,536	6,901,085
Industrial Development Authority	-	-	40,000	51,250	110,000	123,861	147,530	59,900	95,000	-
Capital outlays	1,119,347	814,871	838,069	7,085,050	14,035,793	8,460,299	2,447,596	2,338,525	986,129	993,632
Debt service										
Principal retirement	867,647	896,963	1,358,073	1,414,131	1,495,455	1,092,106	1,058,843	1,066,793	983,418	4,320,579
Bond issuance costs	310,631	43,263	234,339	139,699	-	-	-	500	2,000	17,300
Interest and fiscal charges	1,266,380	1,136,670	1,201,041	1,244,582	1,258,222	1,038,815	462,632	497,733	522,623	595,909
Total expenditures	24,934,148	23,282,227	23,615,343	30,873,227	39,204,423	30,793,450	22,034,093	20,827,842	17,853,398	20,785,709
Excess (deficiency) of revenue over expenditures	(595,040)	640,561	19,144	(6,931,734)	(13,093,258)	(5,724,891)	(548,853)	149,899	250,841	(3,423,926)
Other financing sources (uses)										
Transfers in	2,253,807	2,248,182	2,587,735	2,708,519	448,610	457,417	150,000	590,000	151,800	590,651
Issuance of debt	998,972	39,914	457,391	2,514,557	664,414	8,000,000	14,500,000	349,640	-	3,405,000
Transfers out	(2,372,606)	(2,167,782)	(2,548,735)	(2,678,519)	(388,430)	(400,193)	(367,683)	(280,800)	(254,000)	(273,000
Total other financing sources (uses)	880,173	120,314	496,391	2,544,557	724,594	8,057,224	14,282,317	658,840	(102,200)	3,722,651
Net change in fund balances before extraordinary item	285,133	760,875	515,535	(4,387,177)	(12,368,664)	2,332,333	13,733,464	808,739	148,641	298,725
Extraordinary item - Hurricane Isabel										
Revenues								_	2,693,258	
	-	-	-	-	-	-	-			-
Expenditures		-	-	-	-	-	-	-	(2,797,515)	-
Total extraordinary item - Hurricane Isabel	-	-	-	-	-	-	-	-	(104,257)	-
Net change in fund balances \$	285,133 \$	760,875 \$	515,535 \$	(4,387,177) \$	(12,368,664) \$	2,332,333 \$	13,733,464 \$	808,739 \$	44,384 \$	298,725

# Assessed Value and Estimated Actual Value of Taxable Real Property (unaudited)

## **Last Ten Fiscal Years**

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Fiscal Year	Residential Property	C	Commercial / Industrial Property	agricultural Property	Total Taxable Assessed Value	,	Гах Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2012	\$ 1,417,474,500	\$	98,208,727	\$ 3,706,100	\$ 1,519,389,327	\$	105,532,630	\$ 0.92	\$ 1,519,389,327	100%
2011	\$ 1,622,194,900	\$	102,253,036	\$ 3,798,800	\$ 1,728,246,736	\$	109,434,010	\$ 0.81	\$ 1,641,834,400	105%
2010	\$ 1,612,987,500	\$	103,065,821	\$ 3,798,800	\$ 1,719,852,121	\$	109,430,730	\$ 0.81	\$ 1,719,852,121	100%
2009	\$ 1,604,471,900	\$	91,095,808	\$ 3,227,800	\$ 1,698,795,508	\$	81,348,380	\$ 0.81	\$ 1,705,314,450	99%
2008	\$ 1,577,324,400	\$	97,776,982	\$ 3,227,800	\$ 1,678,329,182	\$	81,410,750	\$ 0.81	\$ 1,730,236,270	97%
2007	\$ 1,543,797,900	\$	90,461,496	\$ 3,227,800	\$ 1,637,487,196	\$	80,948,613	\$ 0.81	\$ 1,817,410,872	90%
2006	\$ 955,801,900	\$	79,069,841	\$ 2,431,400	\$ 1,037,303,141	\$	71,268,800	\$ 1.06	\$ 1,548,213,643	67%
2005	\$ 933,021,200	\$	79,555,306	\$ 2,425,800	\$ 1,015,002,306	\$	71,118,562	\$ 1.06	\$ 1,318,184,813	77%
2004	\$ 772,269,200	\$	73,015,935	\$ 1,998,600	\$ 847,283,735	\$	63,679,146	\$ 1.12	\$ 901,365,676	94%
2003	\$ 755,651,100	\$	69,944,736	\$ 2,008,300	\$ 827,604,136	\$	59,679,816	\$ 1.12	\$ 962,330,391	86%

Source: Commissioner of the Revenue and City Assessor.

Includes Public Service Corporations.

# Property Tax Levies and Collections (unaudited)

# **Last Ten Fiscal Years**

							Collected With Year of the				Total Col to Da	
Fiscal Year	for	Taxes Levied r Fiscal Year riginal Levy)		Subsequent ar Adjustments	To	otal Adjusted Net Levy	Amount	Percent of Original Levy		llections in absequent Years	Amount	Percent of Original Levy
2012 2011	\$ \$	13,808,493 13,666,068	\$ \$	- 12,747	\$ \$	13,808,493 13,678,815	\$13,617,311 \$13,421,564	98.62% 98.12%	\$ \$	153,299	\$ 13,617,311 \$ 13,574,863	98.62% 99.24%
2010	\$	13,614,366	\$	1,972	\$	13,616,338	\$13,371,918	98.22%	\$	201,946	\$ 13,573,864	99.69%
2009	\$	13,481,887	\$	728	\$	13,482,615	\$13,306,699	98.70%	\$	155,751	\$ 13,462,450	99.85%
2008	\$	13,330,523	\$	(1,413)	\$	13,329,110	\$13,186,765	98.92%	\$	130,691	\$ 13,317,456	99.91%
2007	\$	13,075,301	\$	130	\$	13,075,431	\$12,941,290	98.98%	\$	124,621	\$ 13,065,911	99.93%
2006	\$	10,831,249	\$	2,552	\$	10,833,801	\$10,643,194	98.26%	\$	185,639	\$ 10,828,833	99.95%
2005	\$	10,566,343	\$	5,748	\$	10,572,091	\$10,399,214	98.42%	\$	170,594	\$ 10,569,808	99.98%
2004	\$	9,274,686	\$	(9,546)	\$	9,265,140	\$ 9,104,267	98.16%	\$	155,854	\$ 9,260,121	99.95%
2003	\$	9,178,628	\$	(276)	\$	9,178,352	\$ 8,964,109	97.66%	\$	210,832	\$ 9,174,941	99.96%

Source: City of Poquoson Treasurer's Department.

# Principal Taxpayers - 2012 and Nine Years Ago (unaudited)

Years Ended		20	12	20	03
			Percentage		Percentage
		Assessed	of Total	Assessed	of Total
		Valuation	Real Estate	Valuation	Real Estate
Taxpayer	Type of Business	Real Estate	Assessment	Real Estate	Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 9,460,200	0.55%	\$ 7,441,900	0.91%
Poquoson Commons Retail Investors, Inc.	Shopping Center	6,415,500	0.37%	-	-
Whitehouse Cove, LLC	Marina / Mobile Home Park	4,934,100	0.29%	-	-
Poquoson Shopping Center, L.L.C.	Shopping Center	4,532,700	0.26%	-	-
SGC Wythe Creek, L.L.C.	Shopping Center	4,089,300	0.24%	-	-
GPH Poquoson L.L.C.	Nursing Home	3,641,600	0.21%	-	-
Islander Associates	Apartment Rentals	3,444,200	0.20%	2,752,100	0.34%
Universal of Poquoson	Mobile Home Park	3,299,000	0.19%	2,552,400	0.31%
Marque Homes at Poquoson Lakes Inc.	Residential Development	2,896,400	0.17%	-	-
Hunt Properties of Poquoson, Inc.	Storage Facilities	2,671,900	0.15%	-	-
Bristol-Cardiff	Shopping Center	-	-	7,741,000	0.95%
Suburban Land Company	Shopping Center	-	-	3,960,000	0.49%
WCP, L.L.C.	Shopping Center	-	-	3,668,400	0.45%
Vantage Healthcare Corporation	Nursing Home	-	-	1,927,600	0.24%
Wachovia Bank	Financial Institution			1,696,500	0.21%
Carematrix of Dominion Village	Nursing Home	-	-	1,451,700	0.18%
Langley Federal Credit Union	Financial Institution		-	1,402,220	0.17%
		\$45,384,900	2.63%	\$34,593,820	4.25%

Source: Commissioner of the Revenue and City Assessor.

# Computation of Legal Debt Margin (unaudited)

1	Last Ten Fiscal Years	2012	2011	2010	2009	2008	2007		2006	2005	2004	 2003
	Total assessed value of taxed real property											
	General	\$ 1,498,862,620	\$ ,. ,,	\$ 1,702,517,110	\$ 1,685,314,440	\$ 1,662,716,070	\$ 1,627,336,017	5 1	,025,497,078	\$ 1,002,511,357	\$ 832,002,644	\$ 814,646,831
	Public service corporations	 20,526,707	16,937,906	17,335,011	13,481,068	15,613,112	10,151,179		11,806,063	12,490,949	15,281,091	 12,957,305
	Total	\$ 1,519,389,327	\$ 1,728,246,736	\$ 1,719,852,121	\$ 1,698,795,508	\$ 1,678,329,182	\$ 1,637,487,196	\$ 1	,037,303,141	\$ 1,015,002,306	\$ 847,283,735	\$ 827,604,136
]	Debt limit (10% of total assessed value)	\$ 151,938,933	\$ 172,824,674	\$ 171,985,212	\$ 169,879,551	\$ 167,832,918	\$ 163,748,720	5	103,730,314	\$ 101,500,231	\$ 84,728,374	\$ 82,760,414
1	Debt applicable to debt limit  General obligation bonds, other than those authorized for a specific											
	revenue producing project	\$ 27,212,000	\$ 28,164,822	\$ 28,689,878	\$ 29,552,678	\$ 27,460,783	\$ 28,341,971	5	20,966,951	\$ 7,060,912	\$ 7,645,953	\$ 8,189,853
	Capital leases	163,593	241,240	316,204	388,577	978,046	525,899		591,024	653,906	-	-
	Sewer general obligation bonds	8,605,000	9,425,933	9,890,072	9,796,907	10,508,638	11,280,327		12,049,089	12,791,016	13,506,624	14,131,490
X	State literary fund loans	1,807,820	2,084,820	2,361,820	2,763,820	3,165,820	3,567,820		3,969,820	4,371,820	4,811,338	5,250,856
		37,788,413	39,916,815	41,257,974	42,501,982	42,113,287	43,716,017		37,576,884	24,877,654	25,963,915	 27,572,199
1	Margin for additional borrowing	\$ 114,150,520	\$ 132,907,859	\$ 130,727,238	\$ 127,377,569	\$ 125,719,631	\$ 120,032,703	\$	66,153,430	\$ 76,622,577	\$ 58,764,459	\$ 55,188,215
	Total net debt applicable to the limit as a percentage of debt limit	24.87%	23.10%	23.99%	25.02%	25.09%	26.70%		36.23%	24.51%	30.64%	33.32%

# Ratios of Outstanding Debt by Type (unaudited)

## **Last Ten Fiscal Years**

	G	overnmental Activ	vities	Business-Type Activities					
	General				Total	Median	Percentage		
Fiscal	Obligation	Term Loans	Capital	Sewer	Primary	Household	of Personal		Per
Year	Bonds	Payable	Leases	Bonds	Government	Income	Income	C	Capita
2012	\$ 27,212,000	\$ 1,807,820	\$ 163,593	\$ 8,605,000	\$ 37,788,413	N/A	N/A	\$	3,087
2011	\$ 28,164,822	\$ 2,084,820	\$ 241,240	\$ 9,425,933	\$ 39,916,815	N/A	N/A	\$	3,285
2010	\$ 28,689,878	\$ 2,361,820	\$ 316,204	\$ 9,890,072	\$ 41,257,974	\$ 84,315	1.2%	\$	3,473
2009	\$ 29,552,678	\$ 2,763,820	\$ 388,577	\$ 9,796,907	\$ 42,501,982	\$ 84,688	1.2%	\$	3,605
2008	\$ 27,460,783	\$ 3,165,820	\$ 978,046	\$ 10,508,638	\$ 42,113,287	\$ 79,123	1.4%	\$	3,563
2007	\$ 28,341,971	\$ 3,567,820	\$ 525,899	\$ 11,280,327	\$ 43,716,017	\$ 78,191	1.4%	\$	3,659
2006	\$ 20,966,951	\$ 3,969,820	\$ 591,024	\$ 12,049,089	\$ 37,576,884	\$ 76,741	1.2%	\$	3,167
2005	\$ 7,060,912	\$ 4,371,820	\$ 653,906	\$ 12,791,016	\$ 24,877,654	\$ 71,435	0.9%	\$	2,115
2004	\$ 7,645,953	\$ 4,811,338	\$ -	\$ 13,506,624	\$ 25,963,915	\$ 70,476	1.0%	\$	2,219
2003	\$ 8,189,853	\$ 5,250,856	\$ -	\$ 14,131,490	\$ 27,572,199	\$ 67,664	1.1%	\$	2,398

City of Poquoson, Virginia

# Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita (unaudited)

#### **Last Ten Fiscal Years**

					Ratio of Net Bonded Debt	Ne	t Bonded
Fiscal		Assessed	I	Net Bonded	to Assessed	D	ebt per
Year	Population (1)	 Value		Debt (2)	Value		Capita
2012	12,240	\$ 1,519,389,327	\$	29,183,413	1.92%	\$	2,384
2011	12,150	\$ 1,728,246,736	\$	30,490,882	1.76%	\$	2,510
2010	11,881	\$ 1,719,852,121	\$	31,367,902	1.82%	\$	2,640
2009	11,791	\$ 1,698,795,508	\$	32,705,075	1.93%	\$	2,774
2008	11,818	\$ 1,678,329,182	\$	31,604,649	1.88%	\$	2,674
2007	11,948	\$ 1,637,487,196	\$	32,435,690	1.98%	\$	2,715
2006	11,865	\$ 1,037,303,141	\$	11,027,795	1.06%	\$	929
2005	11,764	\$ 1,015,002,306	\$	12,086,638	1.19%	\$	1,027
2004	11,700	\$ 847,283,735	\$	12,457,291	1.47%	\$	1,065
2003	11,500	\$ 827,604,136	\$	13,440,709	1.62%	\$	1,169

Source:

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

# Demographic Statistics (unaudited)

#### **Last Ten Fiscal Years**

Fiscal Year	Population (1)	Inc	ersonal come (2) nillions)	P	er Capita Personal come (2)	School Enrollment (3)	Unemploym Rate	en
2012	12,240		N/A		N/A	2,222	5.5%	(5)
2011	12,150		N/A		N/A	2,231	5.7%	(5)
2010	11,881	\$	3,517	\$	45,334	2,390	6.0%	(5)
2009	11,791	\$	3,456	\$	47,380	2,531	5.4%	(4)
2008	11,818	\$	3,429	\$	46,844	2,478	3.7%	(4)
2007	11,948	\$	3,222	\$	44,148	2,583	2.3%	(5)
2006	11,865	\$	3,061	\$	42,146	2,572	2.3%	(5)
2005	11,764	\$	2,868	\$	39,603	2,563	2.8%	(5)
2004	11,700	\$	2,603	\$	35,917	2,503	3.0%	(5)
2003	11,500	\$	2,444	\$	34,029	2,503	3.1%	(5)

#### N/A - This information is not available

- Source: (1) Weldon Cooper Center for Public Service
  - (2) Bureau of Economic Analysis combined amount for York County/Poquoso
  - (3) Poquoson School Board. Data is September enrollment for each fiscal yea
  - (4) Virginia Economic Development Partnership
  - (5) Virginia Employment Commissior

# Principal Employers in Poquoson - 2012 and Nine Years Ago (unaudited)

2012		20	003
	Percentage of		Percentage of
Number of	Total City	Number of	<b>Total City</b>
Employees	Employment	Employees	Employment
	_		_
287	8.70%	313	13.81%
151	4.58%	133	5.87%
76	2.30%	90	3.97%
55	1.67%	N/A	N/A
55	1.67%	N/A	N/A
52	1.58%	60	2.65%
41	1.24%	38	1.68%
32	0.97%	55	2.43%
27	0.82%	N/A	N/A
21	0.64%	26	1.15%
797	24.15%	715	31.55%
	Number of Employees  287 151 76 55 55 41 32 27 21	Number of Employees         Percentage of Total City Employment           287         8.70%           151         4.58%           76         2.30%           55         1.67%           52         1.58%           41         1.24%           32         0.97%           27         0.82%           21         0.64%	Number of Employees         Total City Employees         Number of Employees           287         8.70%         313           151         4.58%         133           76         2.30%         90           55         1.67%         N/A           55         1.67%         N/A           52         1.58%         60           41         1.24%         38           32         0.97%         55           27         0.82%         N/A           21         0.64%         26

N/A - This information is not available.

Source: City of Poquoson Economic Development Department.

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

# **Last Ten Fiscal Years**

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				Fu	ll-time Equ	ivalent Em	nployees as	of June 30	)	
Function / Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government:										
Management services	12.20	12.20	12.20	14.20	14.20	14.20	12.60	12.00	11.50	10.50
Finance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.50	7.20	7.20
Planning	4.00	4.35	4.45	5.45	5.45	5.45	5.45	3.60	3.60	3.70
Building	3.75	3.75	3.00	4.00	4.00	4.00	4.00	3.10	2.10	2.25
Other	2.85	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.00
Police:										
Officers	22.50	22.50	22.50	22.50	22.50	22.50	22.50	20.50	20.50	20.90
Civilians	1.00	1.00	1.00	2.00	6.50	6.50	6.50	6.50	6.10	5.75
Fire:										
Firefighters and officers	29.00	29.00	29.00	29.00	29.00	28.00	26.00	26.00	26.00	26.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Refuse collection	1.00	1.00	1.00	2.00	2.50	3.00	3.00	3.00	3.00	3.00
Other public works:	16.50	16.50	16.50	15.50	15.00	14.50	14.50	14.50	14.50	14.50
Engineering	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.85	2.85	2.75
Other	2.00	2.00	2.00	3.00	3.00	2.40	2.00	2.00	2.10	2.10
Fleet	3.50	3.50	3.50	4.50	4.50	4.50	4.60	4.60	4.75	5.00
Parks and recreation	9.80	9.80	9.80	13.55	13.50	13.50	15.70	13.50	13.50	14.00
Library	11.95	11.95	11.95	11.95	11.95	11.45	11.45	10.45	10.45	10.45
Wastewater	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50
Total	134.05	133.65	133.00	143.75	148.20	146.10	144.40	137.20	134.75	134.60

Source: Finance Department.

# Operating Indicators by Function / Program (unaudited)

## **Last Ten Fiscal Years**

Function / Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police (1)										
Physical arrests	307	259	335	362	109	294	326	344	245	316
Parking violations	18	39	34	29	9	71	32	87	37	78
Traffic violations	714	957	915	979	911	1,014	784	631	468	701
Fire (2)										
Emergency responses	2,028	1,827	1,870	1,574	1,362	1,687	1,466	1,194	1,106	1,127
Fires extinguished	20	51	79	44	38	35	52	85	180	76
Inspections	239	290	233	56	31	41	23	12	12	12
Refuse collection (3)										
Refuse collected (tons)	2,184	2,241	2,560	2,524	2,160	1,663	1,603	1,610	1,604	1,646
Recyclables collected (tons)	1,324	1,390	1,418	2,482	1,490	1,445	1,484	1,312	1,578	1,396
Other public works (3)										
Street resurfacing (tons)	2,991	2,645	2,481	3,315	3,910	4,943	3,620	3,019	2,737	2,536
Library (4)										
Volumes in collection	59,816	58,203	59,217	60,180	58,266	58,401	57,196	53,856	52,644	51,684
Total volumes borrowed	189,719	197,967	209,768	216,065	208,534	193,354	190,000	181,360	179,276	197,299
Wastewater (5)										
Sewer connections	4,816	4,805	4,803	4,876	4,871	4,790	4,649	4,544	4,494	4,440

N/A - This information is not available.

Source: (1) City of Poquoson Police Department.

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

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# Capital Asset Statistics by Function/Program (unaudited)

#### **Last Ten Fiscal Years**

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24.5	24.0	23.0	23.0	23.0	23.0	23.0	21.0	21.0	20.9
Fire stations (2)	2	2	2	2	2	2	2	2	2	2
Refuse collection (3)										
Collection trucks	0	0	0	0	3	3	3	3	3	3
Other public works (3)										
Street (miles)	55.5	55.4	55.4	54.6	53.2	53.2	53.2	52.9	52.0	51.8
Streetlights	569	574	574	574	561	546	542	507	502	495
Traffic signals	4	4	4	4	4	4	3	3	3	3
Park and recreation (4)										
Acreage	63	48	48	48	48	46	39	38	31	31
Playgrounds	3	3	3	3	3	4	3	3	2	2
Baseball / softball diamond	4	6	6	6	6	5	3	3	3	3
Soccer / football fields	6	6	6	6	6	5	5	5	5	5
Community centers	2	1	1	1	1	1	1	1	1	1
Wastewater (5)										
Sanitary sewers (miles)	65	64	64	64	64	64	64	64	63	54
Storm sewers (miles)	34.24(*)	34(*)	34(*)	32(*)	16	16	16	15	14	13

<sup>(\*)</sup> Includes driveway pipes not available in previous years.

Source: (1) City of Poquoson Police Department .

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

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**Compliance Section** 





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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Poquoson, Virginia (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

#### Internal Control Over Financial Reporting

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

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

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

#### **Compliance and Other Matters**

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

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

Cherry, Bekaut . Holland, J. J. P.

Virginia Beach, Virginia December 4, 2012



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

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

#### **Compliance**

We have audited the compliance of City of Poquoson (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

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

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

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

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

Cherry, Bekant . Holland, J. J. P.

Virginia Beach, Virginia December 4, 2012

# Schedule of Expenditures of Federal Awards

Pass through payments   Prevention Incentive (101/11 - 9/30/12)   Prevention Incentive (101/11 - 9/30/12)   Press (101/11 - 11/12)   Press (101/	ee 30, 2012	Federal	
Parametric   Par		CFDA	Federal
### Comparison of Agriculture  Pass through payments:  Department of Agriculture and Consumer Services  Child Nutrition Cluster:  National School Breakfast Program  National School Lunch Program  10.553  \$ 26,861 National School Lunch Program  10.555  146,562  U.S. Department of Transportation  Pass through payments:  Department of Motor Vehicles:  Alcohol Traffic Safety and Drunk Driving Prevention Incentive (107/10 - 9/30/11)  Alcohol Traffic Safety and Drunk Driving Prevention Incentive (107/11 - 9/30/12)  U.S. Department of Education  Direct payments:  Impact Aid Pass through payments:  Virginia Department of Education:  Title I: Grants to local educational agencies  Title I: Improving teacher quality state grants  Special Education (IDEA) Cluster:  Title VI-PS. Assistance to states for education  of handicapped children:  Special Education (IDEA) Cluster:  Title VI-PS. Assistance to states for education  of handicapped children:  Special Education Grants, Part B, Section 619  ARRA - Special Education Freschool Grants, Part B, Section 619  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilizatio		Number	Expenditure
Pass through payments:	leral granting agency / recipient state agency		
Pass through payments:   Department of Agriculture and Consumer Services   Child Nutrition Cluster:   National School Breakfast Program   10.553   \$2.6861   National School Lunch Program   10.555   146.562   \$173.42   \$173.42   \$1.73.42   \$	rant program/grant number		
Department of Agriculture and Consumer Services   Child Nutrition Cluster:     National School Breakfast Program   10.553   146.562   173.42     U.S. Department of Transportation   10.553   146.562   173.42     U.S. Department of Transportation   10.553   146.562   173.42     U.S. Department of Motor Vehicles:   10.553   16.563     Alcohol Traffic Safety and Drunk Driving   10.560   10.86     Prevention Incentive (10/1/10 - 9/30/11)   20.600   10.86     Alcohol Traffic Safety and Drunk Driving   20.600   10.86     Prevention Incentive (10/1/11 - 9/30/12)   20.600   10.86     U.S. Department of Education   129.92     Prevention Incentive (10/1/11 - 9/30/12)   20.600   10.86     U.S. Department of Education   129.92     Prevention Incentive (10/1/11 - 9/30/12)   20.600   10.86     U.S. Department of Education   20.600   20.600   20.600   20.600     U.S. Department of Education   20.600   20.600   20.600   20.600     U.S. Department of Education   20.600   20.60	U.S. Department of Agriculture		
Child Nutrition Cluster: National School Breakfast Program   10.553   \$ 26.861   National School Lunch Program   10.553   \$ 26.861   National School Lunch Program   10.555   146.562   \$ 173.42	Pass through payments:		
National School Breakfast Program   10.553   3 26.861   National School Lunch Program   10.555   146.562   713.42   71	Department of Agriculture and Consumer Services		
National School Lunch Program   10.555   146,562   173,42	Child Nutrition Cluster:		
Vis. Department of Transportation   Pass through payments:   Department of Motor Vehicles:   Alcohol Traffic Safety and Drunk Driving   Prevention Incentive (10/1/10 - 9/30/11)   20.600   6,35   Alcohol Traffic Safety and Drunk Driving   Prevention Incentive (10/1/11 - 9/30/12)   20.600   10,86	National School Breakfast Program	10.553 \$	26,861
U.S. Department of Transportation Pass through payments: Department of Motor Vehicles: Alcohol Traffic Safety and Drunk Driving Prevention Incentive (101/10 - 9/30/11) Alcohol Traffic Safety and Drunk Driving Prevention Incentive (101/11 - 9/30/12)  U.S. Department of Education  Direct payments: Impact Aid 84.041 129.92  Pass through payments: Virginia Department of Education: Title I: Grants to local educational agencies 84.010 65.74 Title II: Improving teacher quality state grant: 84.367 49.24 Special Education (IDEA) Cluster: Title VI-B: Assistance to states for education of handicapped children: Special Education (IDEA) Cluster: Title VI-B: Assistance to states for education of handicapped children: Special Education Grants, Part B, Section 611 84.391A 185.807 ARRA - Special Education Grants, Part B, Section 619 84.3924 7.511 Preschool Handicapped ARRA- Special Education Freschool Grants, Part B, Section 619 84.3924 7.511 Preschool Handicapped ARRA- Special Education Freschool Grants, Part B, Section 619 84.3924 7.511 Preschool Handicapped Vocational education-basic grants to states 84.048 18.30 ARRA- State Fiscal Stabilization Funds 84.394 503.02 ARRA- State Fiscal Stabilization Funds 84.394 66.42 ARRA- State Fiscal Stabilization Funds 84.394 66.42 ARRA- State Fiscal Stabilization Funds 97.036 15.80  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158.13)  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance 97.036 18.955 2010 Port Security Grant 97.056 15.60 2011 Port Security Grant 97.056 15.60	National School Lunch Program	10.555	
Pass through payments:     Department of Motor Vehicles:     Alcohol Traffic Safety and Drunk Driving     Prevention Incentive (10/1/10 - 9/30/11)     Alcohol Traffic Safety and Drunk Driving     Prevention Incentive (10/1/11 - 9/30/12)     Department of Education  Direct payments: Impact Aid     Pass through payments: Virginia Department of Education:  Title 1: Improving teacher quality state grant     Special Education (IDEA) Cluster: Title VI-B: Assistance to states for education     of handicapped children:     Special Education (IDEA) Cluster: Title VI-B: Assistance to states for education     of handicapped children:     Special Education Grants, Part B, Section 611     ARRA - Special Education Grants, Part B, Section 619     ARRA - Special Education Preschool Grants, Part B, Section 619     ARRA - Special Education Preschool Grants, Part B, Section 619     ARRA - State Fiscal Stabilization Funds     ARRA - Education Jobs Fund  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13  U.S. Department of Emergency Managemen     FEMA Public Assistance     97,036 18,955     2010 Port Security Grant 97,056 15,66     2011 Port Security Grant 97,056 13,27     2010 State Homeland Security Program  U.S. Department of te Interior Direct payments:	U.S. Department of Transportation		\$ 175,423
Department of Motor Vehicles:   Alcohol Traffic Safety and Drunk Driving   Prevention Incentive (101/10 - 9/30/11)   20.600   6,35     Alcohol Traffic Safety and Drunk Driving   Prevention Incentive (101/11 - 9/30/12)   20.600   10,86     U.S. Department of Education   Direct payments:			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive (101/10 - 9/30/11)			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive (10/1/11 - 9/30/12)   20.600   10,86	· ·	20.600	6,35
Prevention Incentive (10/1/11 - 9/30/12)   20.600   10,86    U.S. Department of Education			-,
Direct payments:   Impact Aid   84.041   129.92		20.600	10,860
Direct payments:   Impact Aid   84.041   129.92	U.S. Department of Education		
Impact Aid   R4.041   129,92     Pass through payments:			
Pass through payments:         Virginia Department of Educations:         Title I: Improving teacher quality state grant:       84.010       65.74         Title II: Improving teacher quality state grant:       84.367       49.24         Special Education (IDEA) Cluster:         Title VI-B: Assistance to states for education         of handicapped children:         Special Education Grants, Part B, Section 611       84.027       \$ 383,764         ARRA - Special Education Grants, Part B, Section 619       84.391A       185,807         ARRA - Special Education Preschool Grants, Part B, Section 619       84.391A       12,627         Preschool Handicapped       84.048       18,30         ARRA - Special Education Preschool Grants, Part B, Section 619       84.173       12,627         Vocational education-basic grants to states       84.048       18,30         ARRA - Special Education Preschool Grants, Part B, Section 619       84.173       12,627         Vocational education-basic grants to states       84.048       18,30         ARRA - State Fiscal Stabilization Funds       84.048       84.048         ARRA - State Fiscal Stabilization Funds - Basic Aid       84.394		84.041	129.923
Virginia Department of Education:         84.010         65,74           Title I: Grants to local educational agencies         84.010         65,74           Title II: Improving teacher quality state grant:         84.367         49,24           Special Education (IDEA) Cluster:         Title VI-B: Assistance to states for education         84.027         \$ 383,764           ARRA - Special Education Grants         84.027         \$ 383,764         84.87         185,807           ARRA - Special Education Grants, Part B, Section 611         84.391A         185,807         185,807           ARRA - Special Education Preschool Grants, Part B, Section 619         84.392A         7,511         758,70           Preschool Handicapped         84.048         18,300         12,627         589,70           Vocational education-basic grants to states         84.048         18,30         18,30           ARRA - State Fiscal Stabilization Funds         84,394         503,02         64,24           ARRA - Education Jobs Fund         84,410         87,00         87,00           U.S. Department of Defense           Promoting K-12 Student Achievement at Military-Connected Schools (Reading         12,556         158,13           U.S. Department of Homeland Security         97,036         189,55           2010 Port Security G		0.10.12	120,02
Title I: Grants to local educational agencies Title II: Improving teacher quality state grant:  Special Education (IDEA) Cluster:  Title VI-B: Assistance to states for education of handicapped children: Special Education Grants ARRA - Special Education Grants, Part B, Section 611 ARRA - Special Education Grants, Part B, Section 619 ARRA - Special Education Preschool Grants, Part B, Section 619 ARRA - Special Education Preschool Grants, Part B, Section 619 ARRA - Special Education Preschool Grants, Part B, Section 619 ARRA - State Fiscal Stabilization Funds ARRA - State Fiscal Stabilization Funds ARRA - State Fiscal Stabilization Funds ARRA - Education Jobs Fund  U.S. Department of Defense  Promoting K-12 Student Achievement at Military-Connected Schools (Reading)  U.S. Department of Homeland Security  Pass through payments:  Virginia Department of Emergency Managemen  FEMA Public Assistance 97.036 189.55 2010 Port Security Grant 97.056 2011 Port Security Grant 97.056 15.69 2011 Port Security Grant 97.056 15.69 2011 Port Security Grant 97.056 15.67 2010 State Homeland Security Program 97.073 10.15  U.S. Department of the Interior Direct payments:			
Title II: Improving teacher quality state grant:		84.010	65.74
Special Education (IDEA) Cluster:   Title VI-B: Assistance to states for education of handicapped children:   Special Education Grants   Section 611   Section 612   Section 613   Section 614   Section 615   Section 615   Section 616   Section 617   Section 618   Section 619   Sec			· ·
Title VI-B: Assistance to states for education of handicapped children:  Special Education Grants  ARRA - Special Education Grants, Part B, Section 611  ARRA - Special Education Freschool Grants, Part B, Section 619  ARRA - Special Education Preschool Grants, Part B, Section 619  ARRA - Special Education Preschool Grants, Part B, Section 619  Preschool Handicapped  Vocational education-basic grants to states  ARRA - State Fiscal Stabilization Funds  ARRA - State Fiscal Stabilization Funds  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - Education Jobs Fund  U.S. Department of Defense  Promoting K-12 Student Achievement at Military-Connected Schools (Reading)  U.S. Department of Homeland Security  Pass through payments:  Virginia Department of Emergency Managemen  FEMA Public Assistance  97.036  189,55  2010 Port Security Grant  97.056  2011 Port Security Grant  97.056  13,27  2010 State Homeland Security Program  97.073  10,15  U.S. Department of the Interior  Direct payments:		01.507	17,212
of handicapped children:	· · · · · · · · · · · · · · · · · · ·		
Special Education Grants			
ARRA - Special Education Grants, Part B, Section 611  ARRA - Special Education Preschool Grants, Part B, Section 619  ARRA - Special Education Preschool Grants, Part B, Section 619  Preschool Handicapped  84.392A 7,511  Preschool Handicapped  84.173 12,627  589,70  Vocational education-basic grants to states  ARRA - State Fiscal Stabilization Funds  ARRA - State Fiscal Stabilization Funds  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - State Fiscal Stabilization Funds - Basic Aid  ARRA - Education Jobs Fund  84.394  66,42  ARRA - Education Jobs Fund  84.410  87,00  U.S. Department of Defense  Promoting K-12 Student Achievement at Military-Connected Schools (Reading)  12.556  158,13  U.S. Department of Homeland Security  Pass through payments:  Virginia Department of Emergency Managemen  FEMA Public Assistance  97.036 189,55 2010 Port Security Grant 97.056 207,67 2009 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:		84 027 \$	383 764
ARRA - Special Education Preschool Grants, Part B, Section 619 Preschool Handicapped  84.173  12,627  589,70  Vocational education-basic grants to states ARRA - State Fiscal Stabilization Funds ARRA - State Fiscal Stabilization Funds ARRA - State Fiscal Stabilization Funds - Basic Aid ARRA - Education Jobs Fund  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading)  12.556  158,13  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance FEMA Public Assistance 97.036 189,55 2010 Port Security Grant 97.056 2011 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:			
Preschool Handicapped         84.173         12,627           Vocational education-basic grants to states         84.048         18,30           ARRA - State Fiscal Stabilization Funds         84.394         503,02           ARRA - State Fiscal Stabilization Funds - Basic Aid         84.394A         66,42           ARRA - Education Jobs Fund         84.410         87,00           U.S. Department of Defense           Promoting K-12 Student Achievement at Military-Connected Schools (Reading         12.556         158,13           U.S. Department of Homeland Security           Pass through payments:         Virginia Department of Emergency Managemen         97.036         189,55           2010 Port Security Grant         97.056         207,67           2009 Port Security Grant         97.056         15,69           2011 Port Security Grant         97.056         13,27           2010 State Homeland Security Program         97.073         10,15           U.S. Department of the Interior           Direct payments:			
Vocational education-basic grants to states  ARRA - State Fiscal Stabilization Funds ARRA - State Fiscal Stabilization Funds - Basic Aid ARRA - State Fiscal Stabilization Funds - Basic Aid ARRA - Education Jobs Fund  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13)  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance 97.036 189,55 2010 Port Security Grant 97.056 207,67 2009 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:	<del>-</del>		
Vocational education-basic grants to states  ARRA - State Fiscal Stabilization Funds ARRA - State Fiscal Stabilization Funds - Basic Aid ARRA - State Fiscal Stabilization Funds - Basic Aid ARRA - Education Jobs Fund  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading)  U.S. Department of Homeland Security  Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance FEMA Public Assistance 97.036 2010 Port Security Grant 97.056 2011 Port Security Grant 2010 State Homeland Security Program  U.S. Department of the Interior Direct payments:	Tieschoof Handicapped	04.173	
ARRA - State Fiscal Stabilization Funds - Basic Aid 84.394 66,42 ARRA - State Fiscal Stabilization Funds - Basic Aid 84.394A 66,42 ARRA - Education Jobs Fund 84.410 87,00  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13)  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance 97.036 189,55 2010 Port Security Grant 97.056 207,67 2009 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:	Vocational education-basic grants to states	84.048	· ·
ARRA - State Fiscal Stabilization Funds - Basic Aid ARRA - Education Jobs Fund  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13)  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance 97.036 189,55 2010 Port Security Grant 97.056 207,67 2009 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:	C		
ARRA - Education Jobs Fund 84.410 87,00  U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13)  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance 97.036 189,55 2010 Port Security Grant 97.056 207,67 2009 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:			· ·
U.S. Department of Defense Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13)  U.S. Department of Homeland Security Pass through payments: Virginia Department of Emergency Managemen FEMA Public Assistance 97.036 189,55 2010 Port Security Grant 97.056 207,67 2009 Port Security Grant 97.056 15,69 2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:			87,000
Promoting K-12 Student Achievement at Military-Connected Schools (Reading 12.556 158,13  U.S. Department of Homeland Security  Pass through payments:  Virginia Department of Emergency Managemen  FEMA Public Assistance 97.036 189,55  2010 Port Security Grant 97.056 207,67  2009 Port Security Grant 97.056 15,69  2011 Port Security Grant 97.056 13,27  2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior  Direct payments:			,
U.S. Department of Homeland Security  Pass through payments:  Virginia Department of Emergency Managemen  FEMA Public Assistance  97.036  2010 Port Security Grant  2009 Port Security Grant  2011 Port Security Grant  97.056  2011 Port Security Grant  97.056  15,69  2011 Port Security Grant  97.056  13,27  2010 State Homeland Security Program  97.073  10,15  U.S. Department of the Interior  Direct payments:		12.556	158,139
Pass through payments:       Virginia Department of Emergency Managemen         FEMA Public Assistance       97.036       189,55         2010 Port Security Grant       97.056       207,67         2009 Port Security Grant       97.056       15,69         2011 Port Security Grant       97.056       13,27         2010 State Homeland Security Program       97.073       10,15         U.S. Department of the Interior         Direct payments:			
Virginia Department of Emergency Managemen         FEMA Public Assistance       97.036       189,55         2010 Port Security Grant       97.056       207,67         2009 Port Security Grant       97.056       15,69         2011 Port Security Grant       97.056       13,27         2010 State Homeland Security Program       97.073       10,15         U.S. Department of the Interior         Direct payments:			
FEMA Public Assistance       97.036       189,55         2010 Port Security Grant       97.056       207,67         2009 Port Security Grant       97.056       15,69         2011 Port Security Grant       97.056       13,27         2010 State Homeland Security Program       97.073       10,15         U.S. Department of the Interior         Direct payments:	~ · ·		
2010 Port Security Grant       97.056       207,67         2009 Port Security Grant       97.056       15,69         2011 Port Security Grant       97.056       13,27         2010 State Homeland Security Program       97.073       10,15         U.S. Department of the Interior         Direct payments:		07.026	100 550
2009 Port Security Grant       97.056       15,69         2011 Port Security Grant       97.056       13,27         2010 State Homeland Security Program       97.073       10,15         U.S. Department of the Interior         Direct payments:			· ·
2011 Port Security Grant 97.056 13,27 2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:	· · · · · · · · · · · · · · · · · · ·		,
2010 State Homeland Security Program 97.073 10,15  U.S. Department of the Interior Direct payments:			
U.S. Department of the Interior Direct payments:			
Direct payments:	,	71.013	10,130
13.011 2,31		15 611	0.51
	Train Tree Island Refuge	13.011	

# Notes to Schedule of Expenditures of Federal Awards

#### Year Ended

#### 1. Basis of Presentation

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

#### 2. Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, the food service organization had food commodities totaling \$10,345 in inventory.

#### City of Poquoson, Virginia

## Schedule of Findings and Questioned Costs

#### Year Ended June 30, 2012

#### 1. SUMMARY OF AUDITORS' RESULTS

#### **Financial Statements:**

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

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified: None reported

Noncompliance which is material to the financial statements: No

#### **Federal Awards:**

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

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified: None reported

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

#### **Major Programs:**

- Special Education Grants ARRA (CFDA No. 84.027, 84.173, 84.391A, 84.392A)
- State Fiscal Stabilization Funds ARRA (CFDA No. 84.394, 84.394A)

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

The auditee qualified as a low-risk auditee: Yes

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

### City of Poquoson, Virginia

## Summary Schedule of Prior Year Findings

#### Year Ended June 30, 2012

#### 2011-2 Record-keeping of Highway Maintenance Expenditures

#### Criteria:

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

#### Condition:

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

#### Resolution:

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