

City of

POQUOSON

Virginia



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR JULY 1, 2021—JUNE 30, 2022

CITY OF POQUOSON, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2022

Prepared by:

The Department of Finance

Tonya O'Connell, CPA, Assistant City Manager

Robin Bellamy, Interim Director of Finance

INTRODUCTORY SECTION

CITY OF POQUOSON, VIRGINIA
Government Officials

CITY COUNCIL

Gordon C. Helsel, Jr., Mayor
Carey L. Freeman, Vice Mayor
Keith A. Feigh
Jana D. Andrews
Herbert R. Green, Jr.
Charles M. Southall, III
David A. Hux

CITY OFFICIALS

J. Randall Wheeler, City Manager
Tonya O'Connell, CPA, Assistant City Manager
Steven D. Clarke, Treasurer
Joseph Coccimiglio, Commissioner of the Revenue
D. Wayne Moore, City Attorney

SCHOOL BOARD

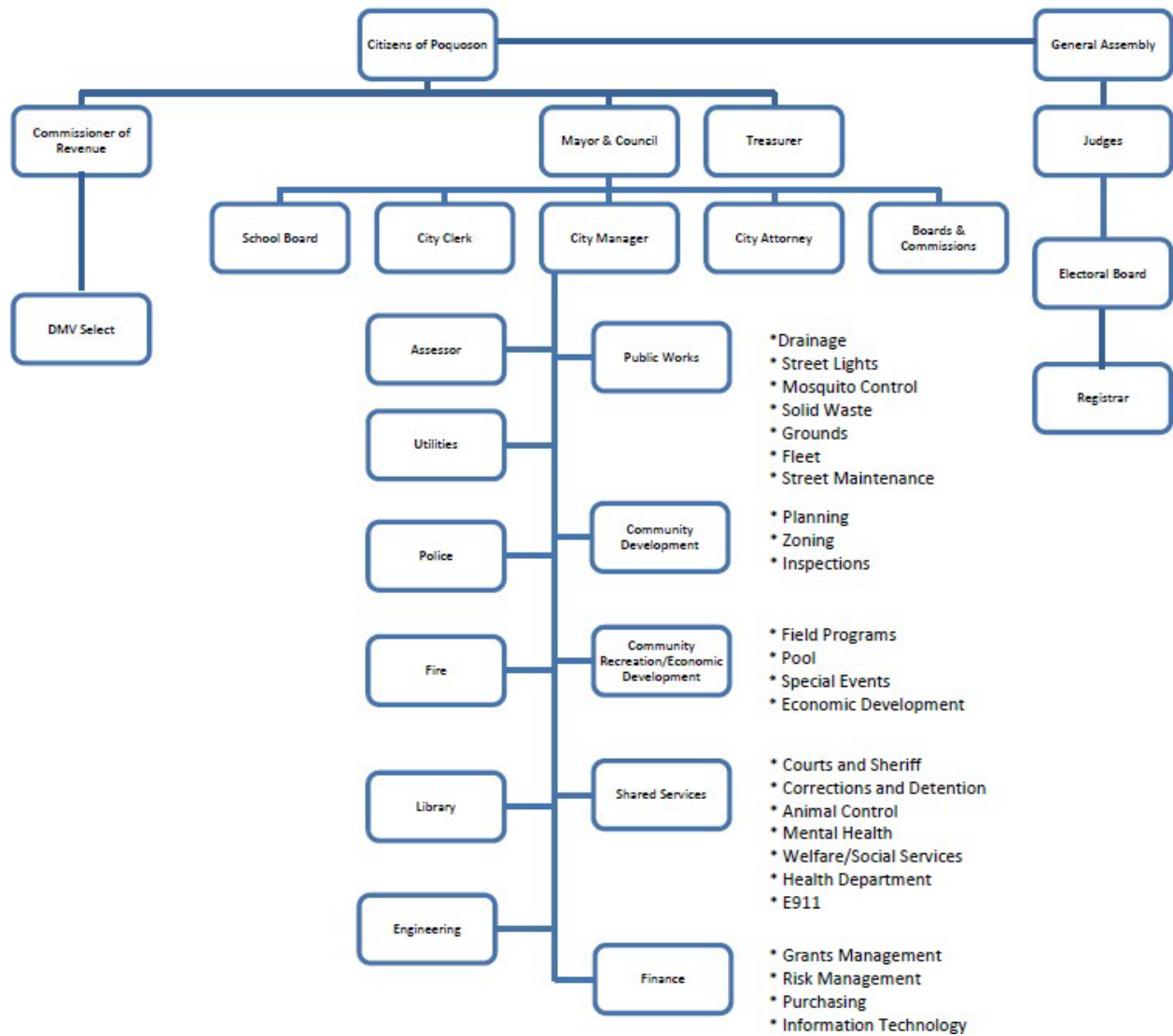
Christina F. Helsel, Board Chair
Craig L. Freeman, Board Vice Chair
Cameron J. Childress
Timothy A. Goodale
Jonathan T. Ingram
Jeremiah P. Jordan
Shannon L. Martin

SCHOOL OFFICIALS

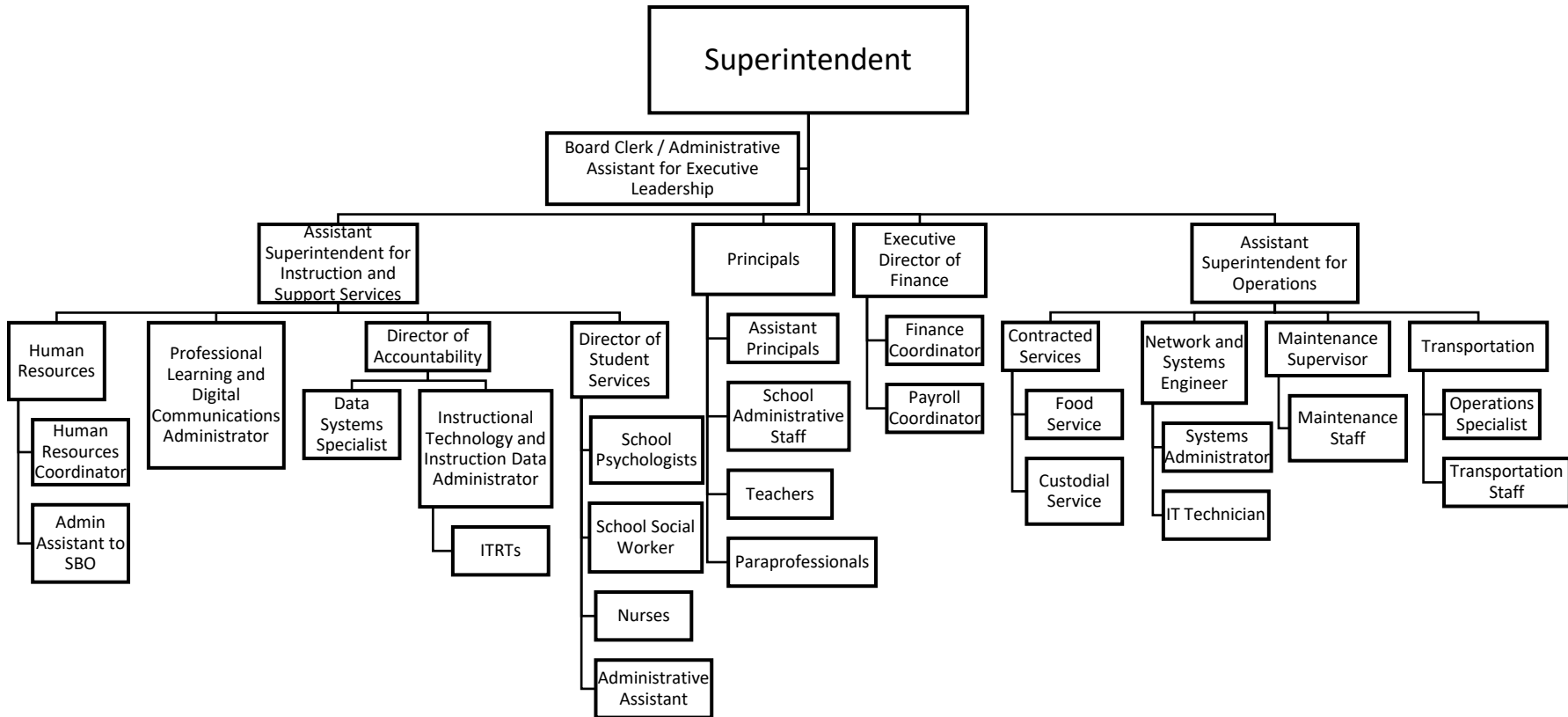
Arty Tillett, Superintendent
Christine Hill, Ph.D., Assistant Superintendent for Instruction and Support Services
Brandon Ratliff, Ed.D., Assistant Superintendent for Operations
Tara Woodruff, Executive Director of Finance

CITY OF POQUOSON, VIRGINIA

CITY GOVERNMENT ORGANIZATION CHART



Poquoson City Public Schools Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Poquoson
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF POQUOSON, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT Fiscal Year Ended June 30, 2022

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CITY OF POQUOSON

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

City Manager's Office

December 9, 2022

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Poquoson (City) for the fiscal year ended June 30, 2022. An ACFR is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with accounting principles generally accepted in the United States of America (U.S. 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.

The audited annual financial report was prepared during the continued national and state public health emergency associated with COVID-19. The City was able to continue vital services to citizens and adapt our operations to keep health and safety at the forefront of our operations.

Management assumes full responsibility for the reliability of the information contained in this report, based upon a comprehensive framework of internal controls 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.

Brown, Edwards & Company, L.L.P. Certified Public Accountants, has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2022. The unmodified report of Brown, Edwards & Company 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 require 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. However, the ties remain close with certain municipal functions continuing to be shared with York County including the Courts, Social Services, Sheriff's Department and E-911 Center.

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, School Board and other 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.

One of the most important services provided by a city to its taxpayers is the education of the children in the community. The 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 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 and federal aid. The City Council's authority is limited to appointing local school board members, appropriating funds by state established categories and issuing debt relating to school projects. 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; recreational activities, library services, community development activities, and cultural events. The City also owns and maintains sewage facilities, manages landscaping and bulky item pick-ups, contracts for recycling as well as trash pick-up and disposal; 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 Poquoson Public 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.

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 a public hearing 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 fund. Transfers of appropriations between funds 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 83 of the report.

Local Economy

The City is located in the southeastern part of the state in the Hampton Roads area in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area. The City is a peninsula located between the Poquoson River on the north, Back River and Wythe Creek (the Old Poquoson River) on the south, the Chesapeake Bay on the east and York County of the west.

The City 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 shoreline area of 87 miles, and according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,514.

The City remains stable in sales, real estate and personal property taxes. Sales of property have remained positive through the public health emergency.

The City has direct access to leading employment sites including NASA's Langley Research Center, Joint Base Langley-Eustis and Huntington Ingalls Industries, Inc. Local unemployment for the City remains below the state and national averages. According to the Bureau of Labor Statistics, the City's unemployment rate as of July 2022 is 2.6% which decreased from the prior years of 5.1%. The City's unemployment rate of 2.6% is slightly above the national average of 2.5% and below the state average of 2.7% for the same period of time.

As part of the issuance of debt in June 2018, the City met with two of the National Credit Rating Agencies, Standard & Poor's (S&P) and Moody's for the purpose of having the agencies rate the City's current debt and to establish a rating on the 2018 General Obligation Bonds.

S&P assigned a rating of AAA on the City's 2018 general obligation bonds and affirmed its AAA rating on the City's outstanding general obligation bonds, the highest bond rating available. Some of the rationale cited by S&P included the City's: "Very Strong Economy; Very Strong Management; Strong Budgetary Performance; Very Strong Budgetary Flexibility; Very Strong Liquidity; and, Strong Debt and Contingent Liability Profile." S&P states that: "An obligation rated AAA has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong."

Moody's affirmed the City's existing Aa2 credit rating and assigned an enhanced Aa1 rating to 2018 General Obligation Bonds based on the City's strong underlying fundamentals plus the enhancement of the Virginia state aid intercept program. 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 of the generic category. As of November 4, 2022, Moody's reaffirmed the City's existing Aa2 credit rating.

Long-Term Financial Planning

Annual Financial Plans (Budget) and Constrained Capital Improvement Plans (CCIP) are adopted annually, taking into consideration input from all organizational levels of the City. 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. The Planning Commission recommends adoption of the Constrained Capital Improvement Plan; the document then goes to City Council for final approval. Although the CCIP is intended to be a commitment to a multi-year capital improvement program, it is fundamentally a planning document and subject to annual modifications as priorities, available funding and other factors create a need for revision. The City also utilizes a Master Infrastructure Plan which is designed to be the planning bridge between the 5 year CCIP and the 20 year Comprehensive Plan.

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 unassigned fund balance of 12%-15% of the current year budgeted expenditures. The unassigned fund balance at the end of the year was 25% of budget expenditures, well above the adopted policies.

The City has built the Fiscal Stability Reserve to \$1 Million. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures or revenue distributions (i.e. hurricane or pandemic related). The reserve is accounted for separately in Fund Balance for the General Fund which can be found in Note 11.

Using regular financial reports prepared for City Council, 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

The City continued its comprehensive outreach marketing 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 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 Poquoson Police Department implemented three new Community Engagement events during 2022. The three events were DARE Camp, 911 Leadership Camp and Bicycle Rodeo. Each event had two sessions with a total of approximately 60 youth from our community involved. These three events allowed the Police Department to not only build relationships with the children in our community but the entire family as well.

Construction did not commence on the two additional mixed-use buildings in Phase II of the Fountains of Poquoson. The conditional use permit for Phase II has now expired. There has been much conversation with the developer and plans for the ultimate buildout may change. The owner has obtained approval of a rezoning amendment that will allow separate parcels for the purpose of obtaining funding. As for now, the entire Fountains of Poquoson development, located in the City’s Village Commercial district, will yield two residential structures and one stand-alone commercial building (in Phase III) and a mixture of 2/3rd townhomes and 1/3rd commercial offices in Phase IV.

Quarter Creek home building permitting has started for the first ten homes with a projected development of a total of 33 residential homes. Wythe Creek Estates which will provide nineteen homes and a new sewer pump station is on hold. Both of these projects are in the central precinct.

The City processed the final plat for the first Section of the Legacy of Poquoson Phase I development which consists of one hundred forty six townhome and single-family residences. Section One of Phase One will include 80 lots (57 townhomes and 23 single-family residences). Plans for Phases II and III of the Legacy of Poquoson project, consisting of one hundred seventy two single family homes, have been received and are currently under review. As part of the Legacy project, the City Council approved a proffer amendment to delay construction of the clubhouse, four conditional use permit amendments to modify buffer requirements and a rezoning amendment to provide a wider range of architectural styles for townhomes.

The City approved plans for a 21-lot subdivision on Darden Drive and construction of new homes is expected to begin in late 2022.

The City participates in the National Flood Insurance Program (NFIP) and is in the process of working with the ISO/CRS Specialist for Virginia to find ways to improve the class rating. CRS is an “extra credit” program for NFIP members, granting flood insurance discounts to localities who adopt higher standards to address storm water flooding. Recent efforts by City staff to map undeveloped open space have allowed Poquoson to remain at a CRS Class 8, granting a 10% discount to citizens which will save residents an approximate total of \$294,000 in annual insurance payments.

The City continues to work with the City of Hampton and the Virginia Department of Transportation on the Wythe Creek Road widening project. This project is intended to improve traffic flow along the corridor; elevate the portion of road through the marsh area so that it remains open during coastal storm events; and provide walkability along the road. The project features widening the Hampton section of the roadway to three lanes; replacing the current bridge and causeway located just south of the Poquoson city line with an elevated bridge; and constructing sidewalks along the route.

For the City of Poquoson, the project will provide sidewalks on either side of Wythe Creek Road and will improve the Cary's Chapel and Wythe Creek Road intersection. The existing causeway will be retained and will feature a walking and biking path. The elevated bridge will provide an additional evacuation route out of the City during a flood event. The design has been completed and this project went to advertisement in November of 2021. The bids came in higher than expected. The City is working with the City of Hampton and VDOT to identify options to move this project forward.

A new trail for South Lawson Park is currently in development and will provide a much improved walking area for the park; as well as compliment all the many new features going into the recreational facility. The City recently competed for and received approval for \$3.7 million dollars in VDOT Smart Scale Funding. This funding will be used to provide access control, shoulder improvements and a multi-use trail on Victory Boulevard. Poquoson continues to pursue a future for the Revenue Sharing Funding for improvements at the Little Florida Road, Poquoson Avenue, and Laydon Way intersection. This realignment will provide traffic calming measures, sight distance improvements, and conflict point reduction; making the intersection safer and easier for citizens to navigate.

The Poquoson Avenue sidewalk project has been completed, tying the Municipal Park to the Poquoson Middle School. This project provides a safe passage for pedestrians in navigating this busy stretch of road. It includes crosswalks, flashing signals, and ADA compliant ramps for those with disabilities. All three of the major signalized intersections in the City have new signal heads and updated equipment to run the signals; as well as new timed crosswalks at both the Wythe Creek and Hudgins Road/Yorktown Road intersections.

The Sewer Fund added two pump stations with Back-up emergency generators. The City now has 28 of 29 Pump Station's with a back-up generator. The remaining station does not have enough property to have a permanent generator installed. We have also completed the Force Main relocation project that we cost shared with HRSD.

In its ongoing efforts to provide for the community during and post pandemic the Library returned back to normal operations for most services in FY 2022, including in person classes and events, meeting room reservations, and computer use. However, they continued to take precautions with ongoing efforts to keep library materials and furnishings sanitized and by providing curbside service and COVID test kit distribution, distributing 649 COVID test kits throughout the year. The library returned to providing in person classes and events for youth with 4,545 attendees at programs for children and teens. Patrons returned to the library with enthusiasm, and the library saw a 31% increase in visits over the previous year, with 58,576 total visitors. The library was also able to process more than double the number of passports from FY 2021, completing 1,382 applications for new passports. Computer usage was also up almost 20% with the return to normal operations, with 7,183 Wi-Fi and computer sessions by the public at the library in FY 2022. Other operations returned to normal were meeting room usage, with 1,383 reservations for the year and new library card registrations which saw an almost 33% increase over FY 2021 with 1,074 new library card holders for the year.

Community Recreation Department continued to coordinate initiatives which promoted social distancing. These safety-first programming opportunities were very popular with Poquoson residents and several have become staples of the Fall and Winter season. These programs included a Halloween Boo Crew (a candy delivery service to individual households), the Inaugural Great Poquoson Turkey Hunt Contest (a family-friendly scavenger hunt to locate wooden turkey displays hidden throughout the City), a "Letters to Santa" Campaign with two (2) official "mailing stations", the ever-popular Holiday "House Decorating" Contest, and a "Be My Valentine" Home delivery Gift Box Program.

In support of the Poquoson business community, the Economic Development Office administrated several business assistance grant programs. Poquoson businesses continued to struggle during the continuing pandemic. The City's Economic Development Office has administrated grant programs which have thus far (through Fall 2022) provided more than \$500,000 to Poquoson businesses.

Awards and Acknowledgements

The City of Poquoson's Fire Department continues its Class 2 rating by the Insurance Services Office (ISO) which assesses the readiness of the fire department by analyzing data across three categories of a department's capabilities of fire-fighting.

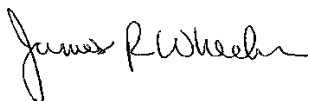
Although annual accreditation was waived for all public schools in Virginia for the 2020-2021 school year due to the COVID-19 pandemic, Poquoson City Public Schools continues to meet standards of learning benchmarks in reading, writing, math, science and attendance, and the high school met benchmarks for graduation and completion rates. Throughout the pandemic, PCPS continued its tradition of excellence by providing both in-person and virtual learning options and participating in athletics. Poquoson High School was awarded the Wells Fargo Cup for achieving the best overall record in VHSL state-level competitions in its class. The Poquoson Middle School modernization project is complete.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the 34th 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 Annual Comprehensive 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.

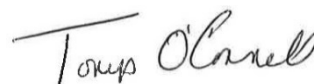
The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Adopted Budget for FY 2022 for the 30th consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including 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 Poquoson Public Schools and the Treasurer's Office. Credit also must be given to City Council for their unfailing support for maintaining the highest standards in the management of the City finances.

Respectfully submitted,



James R. Wheeler
City Manager



Tonya A. O'Connell, CPA
Assistant City Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council of
City of Poquoson, Virginia
Poquoson, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Poquoson, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Notes 1, 7, 8 and 20 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Poquoson's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Poquoson's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poquoson, Virginia's basic financial statements. The accompanying other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2021- June 30, 2022

As management of the City of Poquoson, Virginia (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities as of and for the fiscal year ("FY") ended June 30, 2022. 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 in the introduction section of this report, and the notes to the basic financial statements, which can be found immediately following the basic financial statements.

Financial Highlights

- For FY 2022, the City maintained a strong financial position for both its governmental and business-type funds while still being faced with the public health emergency known as COVID-19. The City continued to provide service and commitment to the citizens during the public health emergency which reflected on the irrepensible practices of the City to ensure financial management.
- The assets and deferred outflows of the City's Primary Government exceeded its liabilities and deferred inflows of resources as of June 30, 2022, by \$40.5 million (net position). The City's Primary Government total net position increased by \$4.8 million from the prior year.
- As of June 30, 2022, the unassigned fund balance for the General Fund was \$8.6 million or 32.7% of total General Fund expenditures. The unassigned fund balance exceeds the fund balance policies by 20.7%.
- The City's total debt outstanding at June 30, 2022, was \$41.2 million for all funds which is a decrease overall of \$3.3 million from the prior year. The City issued no new debt during FY 2022.
- The City's Debt Service Fund which is used to account for and report financial resources that are assigned to expenditure for principal and interest had an ending fund balance of \$28,760.
- The City was able to achieve the goal of \$1 million in the revenue stabilization reserve which was established by City Council.
- During FY 2022, the City implemented GASB Statement 87, *Leases*. See Note 1 for further description.

(Continued)

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City'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.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 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 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 include a Sewer Operations Fund and a Solid Waste Fund.

The government-wide financial statements include not only the City itself (the primary government), but also a legally separate school system, Poquoson City Public Schools (PCPS), and a legally separate Poquoson Economic Development Authority (EDA) for which the City 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Grant Fund, the Debt Service Fund, the Special Revenue Fund and the Capital Projects Fund. The governmental funds financial statements can be found on Exhibits C and D of this report.

The City 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 L.

Proprietary Funds. The City maintains two different types of proprietary funds, enterprise funds, and internal service funds. Enterprise funds provide both long-term and short-term information on business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer Operations and Solid Waste Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's departments. The City 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. The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The fiduciary funds include the Other Postemployment Benefits Trust Fund and Library Custodial Fund, a party outside the City. These activities are reported in a separate Statement of Fiduciary Net Position. The City excludes this activity from its government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds' statements can be found on Exhibit H and I 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 immediately following the basic financial statements.

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 including financial information on the Poquoson Public School component unit. Required supplemental information can be found after the notes to the basic financial statements. Supplementary information can be found after the required supplementary information.

Government-Wide Financial Analysis

Summary of Statement of Net Position As of June 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Current and other assets	\$ 32,938,267	\$ 37,991,419	\$ 4,397,419	\$ 4,051,221	\$ 37,335,686	\$ 42,042,640
Capital assets	53,017,109	44,404,608	9,448,678	9,961,180	62,465,787	54,365,788
Total assets	85,955,376	82,396,027	13,846,097	14,012,401	99,801,473	96,408,428
Deferred outflows of resources	4,105,804	4,777,701	133,895	140,555	4,239,699	4,918,256
Total assets and deferred outflows	\$ 90,061,180	\$ 87,173,728	\$ 13,979,992	\$ 14,152,956	\$ 104,041,172	\$ 101,326,684
Current and other liabilities	\$ 13,154,079	\$ 13,171,052	\$ 895,846	\$ 822,579	\$ 14,049,925	\$ 13,993,631
Long-term liabilities	37,734,977	46,762,992	3,426,193	4,315,762	41,161,170	51,078,754
Total liabilities	50,889,056	59,934,044	4,322,039	5,138,341	55,211,095	65,072,385
Deferred inflows of resources	7,922,534	365,220	401,768	197,743	8,324,302	562,963
Total liabilities and deferred inflows	\$ 58,811,590	\$ 60,299,264	\$ 4,723,807	\$ 5,336,084	\$ 63,535,397	\$ 65,635,348
Net investment in capital assets	\$19,335,724	\$ 21,089,440	\$ 5,342,928	\$ 5,370,778	\$ 24,678,652	\$ 26,460,218
Restricted	2,118,295	1,310,631	34,070	-	2,152,365	1,310,631
Unrestricted	9,795,571	4,474,393	3,879,187	3,446,094	13,674,758	7,920,487
Total net position	\$ 31,249,590	\$ 26,874,464	\$ 9,256,185	\$ 8,713,023	\$ 40,505,775	\$ 35,691,336

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$40.5 million, excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$24.7 million. The City 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 position of \$13.7 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 is able to report positive balances in both categories of net position, for the governmental and business-type activities.

The governmental activities' net position increased by \$4.4 million and the business-type activities increased by \$0.4 million during FY 2022. The increase of the net position of the governmental activities is due to many factors to include better than expected revenue associated with general property and local taxes which negated the approved use of unrestricted fund balance and less than expected expenses which can be attributed to many factors such as vacancies.

The net position of the business-type activities is due to less than expected expenses in both the Sewer and Solid Waste Funds.

(Continued)

Summary of Changes in Net Position
June 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,394,786	\$ 1,097,310	\$ 3,050,587	\$ 3,069,688	\$ 4,445,373	\$ 4,166,998
Operating grants and contributions	1,703,649	3,644,428	-	-	1,703,649	3,644,428
Capital grants and contributions	874,441	878,892	-	24,811	874,441	903,703
General revenues:						
Real estate and personal property taxes	25,983,555	23,965,689	-	-	25,983,555	23,965,689
Other local taxes	3,611,206	3,408,037	-	-	3,611,206	3,408,037
Reimbursements from other agencies	173,571	186,967	-	-	173,571	186,967
Miscellaneous	130,082	128,922	106	-	130,188	128,922
Unrestricted investment earnings	87,811	206,247	48,279	2,476	136,090	208,723
Total revenues	\$33,959,101	\$33,516,492	\$ 3,098,972	\$ 3,096,975	\$37,058,073	\$ 36,613,467
Expenses:						
General government	\$ 3,001,721	\$ 12,215,070	\$ -	\$ -	\$ 3,001,721	\$ 12,215,070
Public safety and judicial	8,604,872	8,591,167	-	-	8,604,872	8,591,167
Public works	3,092,069	2,151,030	-	-	3,092,069	2,151,030
Health and welfare	986,273	1,070,059	-	-	986,273	1,070,059
Education	11,101,660	3,010,568	-	-	11,101,660	3,010,568
Parks, recreation, cultural	1,336,154	1,608,001	-	-	1,336,154	1,608,001
Economic Development Authority	21,000	145,141	-	-	21,000	145,141
Community development	557,876	597,883	-	-	557,876	597,883
Interest and fees on long-term debt	1,027,962	1,263,545	-	-	1,027,962	1,263,545
Sewer	-	-	1,279,528	1,654,348	1,279,528	1,654,348
Solid waste	-	-	1,130,131	1,103,778	1,130,131	1,103,778
Total expenses	29,729,587	30,652,464	2,409,659	2,758,126	32,139,246	33,410,590
Change in net assets before transfers	4,229,514	2,864,028	689,313	338,849	4,918,827	3,202,877
Transfers	145,612	235,000	(250,000)	(235,000)	(104,388)	-
Increase in net position	4,375,126	3,099,028	439,313	103,849	4,814,439	3,202,877
Net position, beginning of year	26,874,464	23,775,436	8,816,872	8,713,023	35,691,336	32,488,459
Net position, end of year	\$ 31,249,590	\$ 26,874,464	\$ 9,256,185	\$ 8,816,872	\$ 40,505,775	\$ 35,691,336

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

	<u>FY 2022</u>	<u>FY 2021</u>
Real estate tax revenue	\$ 19,791,142	\$ 18,465,912
Public service corporation taxes	270,921	247,639
Personal property taxes	5,762,602	5,126,826
Penalties and interest	<u>158,890</u>	<u>125,312</u>
Total	<u>\$ 25,983,555</u>	<u>\$ 23,965,689</u>

(Continued)

Real estate revenue was higher in FY 2022 as compared to FY 2021 due to a modest increase in new homes and improvements since the reassessments of property that began in FY 2022. The City's real estate property tax assessments were \$1,782,081,900 and \$1,665,332,400 for FY 2022 and FY 2021, respectively. The City's real estate tax rate was \$1.13 and \$1.14 per \$100 of assessed value in FY 2022 and FY 2021.

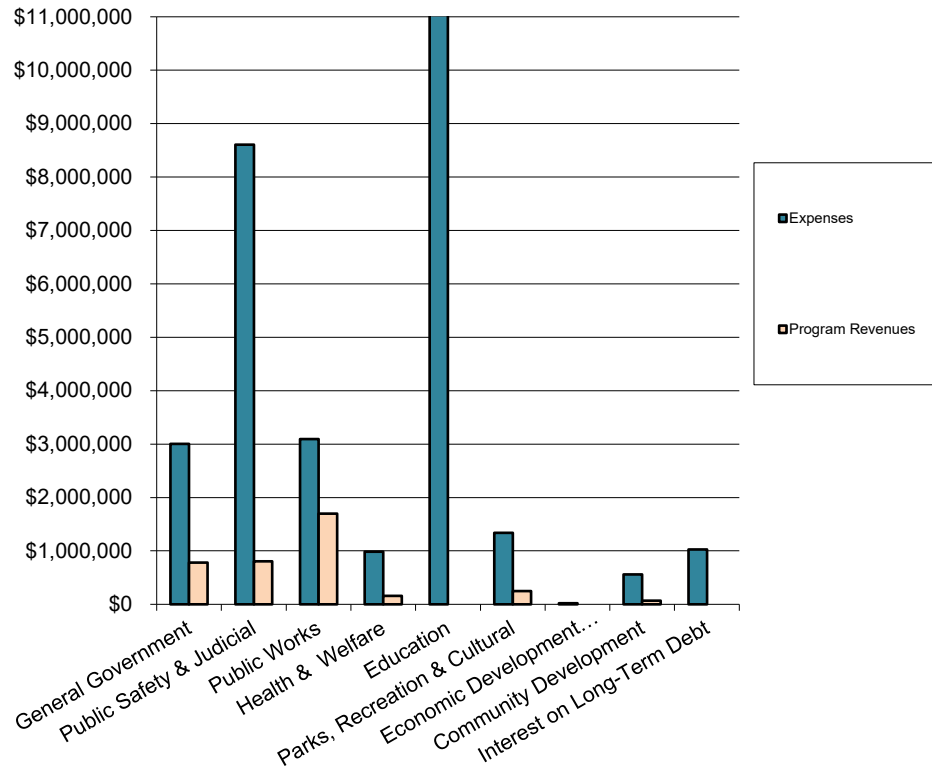
The City's personal property tax assessments were \$180,912,510 and \$151,947,610 for FY 2022 and FY 2021, respectively. In FY 2022 and FY 2021, the City's personal property tax rate was \$4.15 per \$100 of assessed value for vehicles. Personal property for the first half of calendar year experienced an anomaly. The automobile industry experienced an average increase of 38% in values of automobiles and trucks due to shortage in workers and key materials needed in all vehicles. Due to the increase, City Council approved for calendar year 2022 to lower the assessed value of automobiles and trucks from 100% to 90% of value for the calculation of personal property tax.

For boats and recreational vehicles, the tax rate was \$0.00001 per \$100 of assessed value for boats and \$1.50 per \$100 of assessed value for recreational vehicles for FY 2022 and FY 2021. In FY 2022 and FY 2021, the City's tax rate for mobile homes was \$1.14 and \$1.07 per assessed value. 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 2022 and FY 2021.

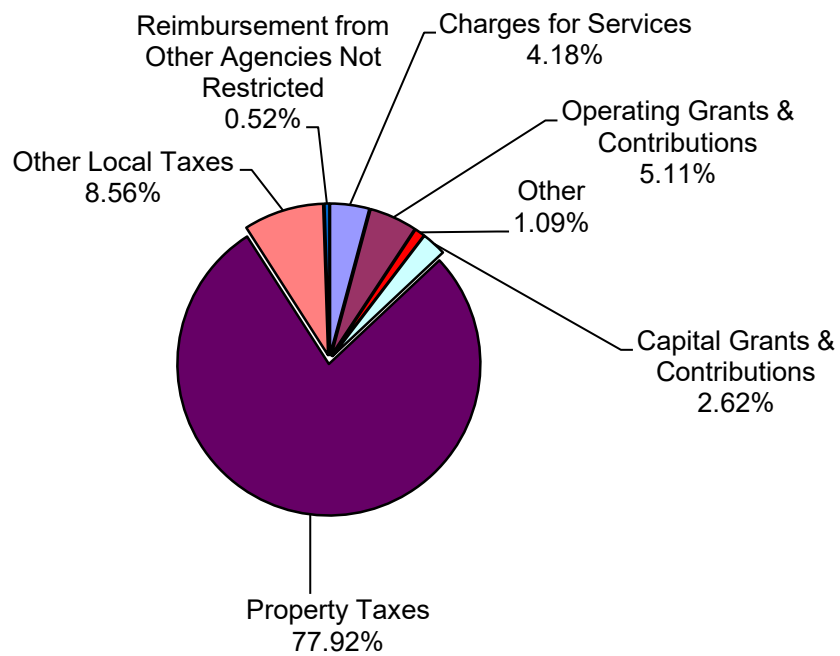
Other local taxes were \$3.6 million and \$3.4 million for FY 2022 and FY 2021 and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes, and a variety of other taxes.

For FY 2022, expenses for governmental activities totaled \$29.7 million, including an expense of \$11.1 million to Poquoson City Public Schools (PCPS). For FY 2021, expenses for governmental activities totaled \$30.7 million, including a net payment of \$3.0 million to PCPS.

Expenses and Program Revenues - Governmental Activities

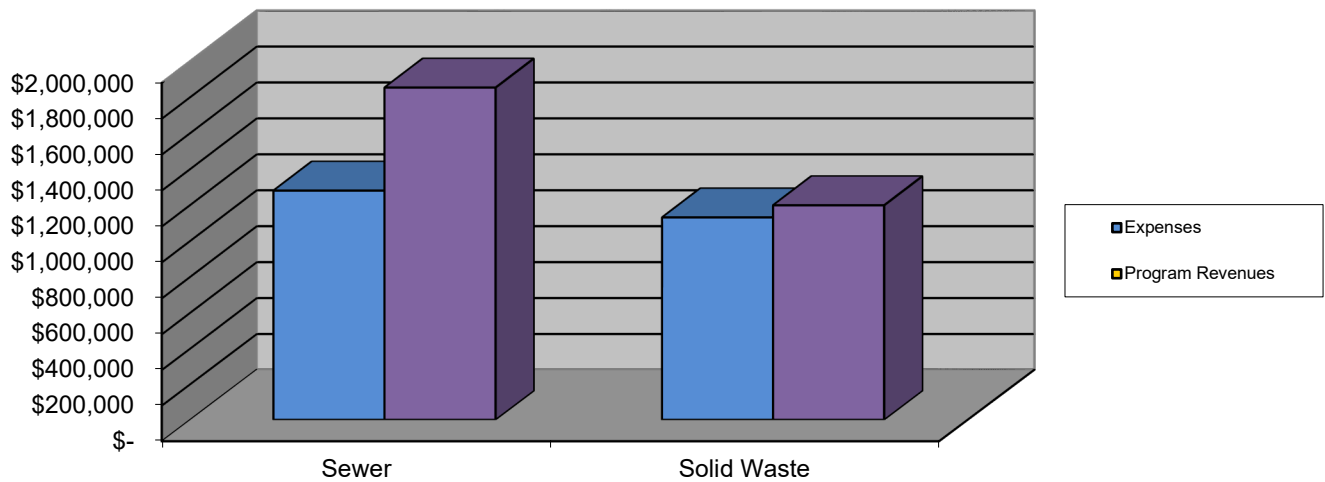


Revenues by Sources - Governmental Activities

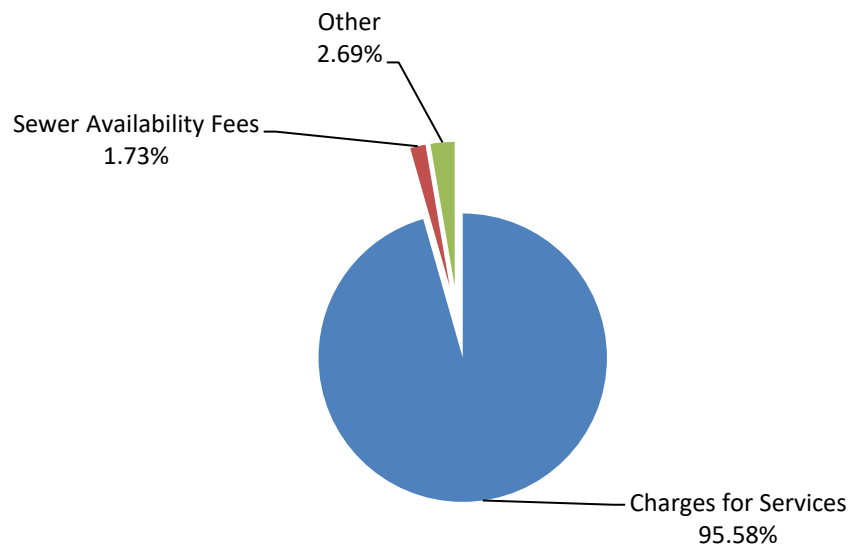


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Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities

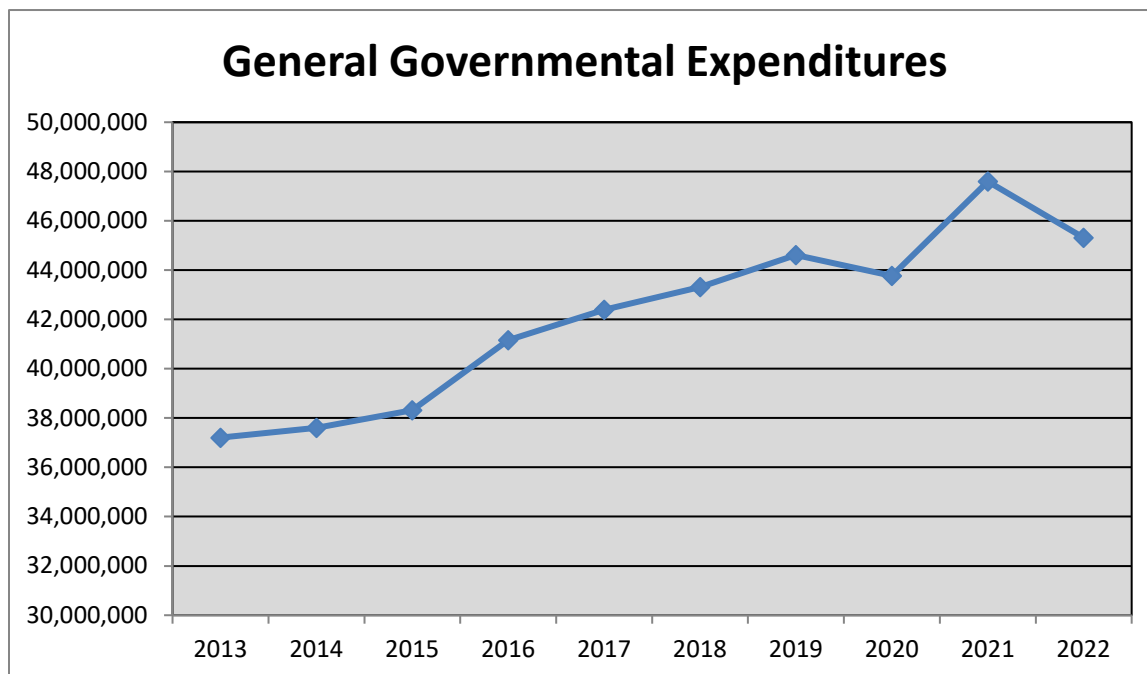
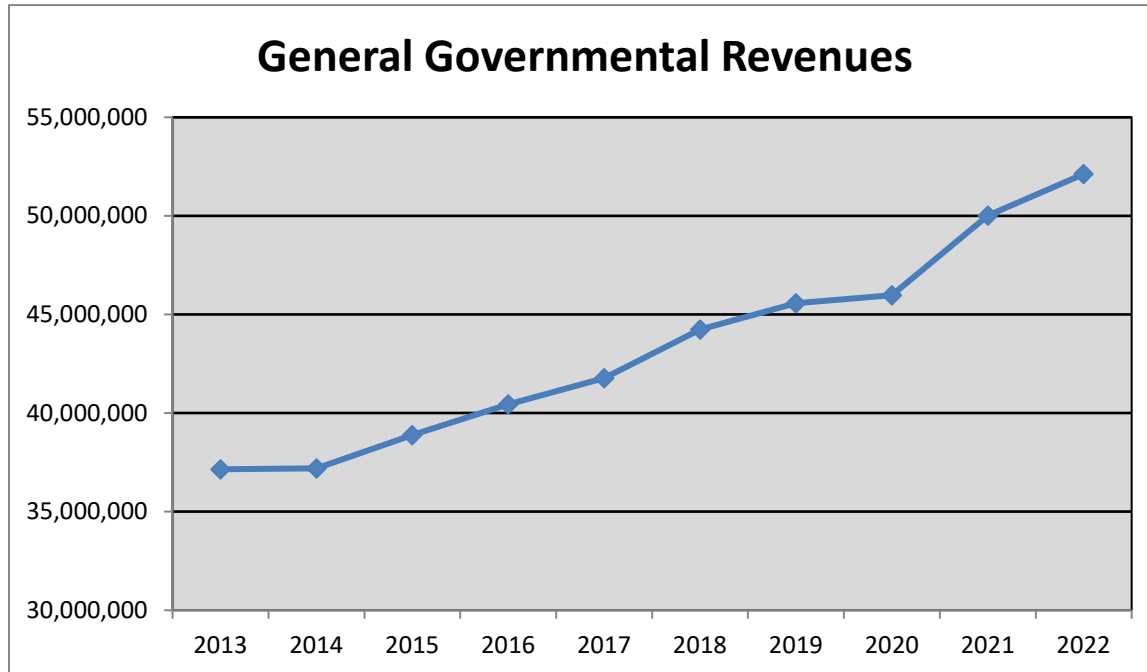


Business-type Activities. Business-type activities increased the City's net position before transfers by \$0.69 million and increased the net position by \$0.44 million after transfers. This increase in net position can be attributable to less than expected expenses for both the Sewer and Solid Waste Funds. The Sewer Fund refinanced a long-term debt which provided savings attributed to interest and Solid Waste Fund anticipated higher cost associated with waste disposal.

(Continued)

Financial Analysis of the Governmental Funds

Below is a summary of general governmental revenues and expenditures over a ten-year period. Amounts include the City's General, Debt Service, Capital Projects, and Grants Funds along with the School's General and Special Revenue Funds and net of revenue and expenditures between City and Schools.



(Continued)

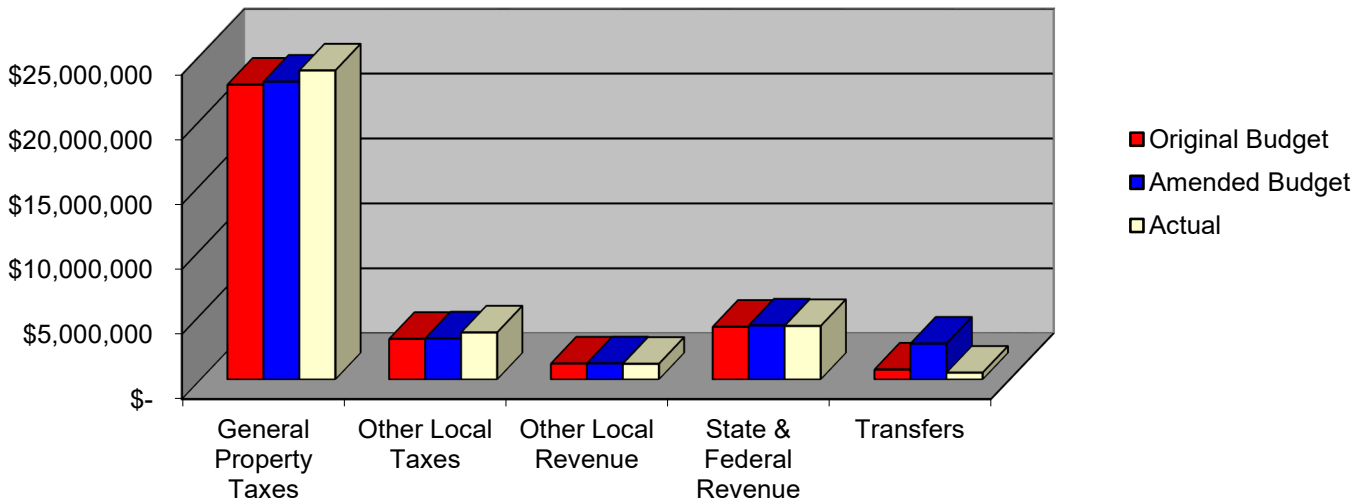
General Fund Budgetary Highlights

The City 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 L. The City records actual revenues and expenditures using accounting principles generally accepted in the United States of America (U.S. GAAP), with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit L, the non-GAAP budgetary expenditures are reconciled to the U.S. GAAP statements. The budget differences of \$2.4 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$0.15 million appropriation to risk management for employee one-time special pay compensation
- \$0.03 million appropriation to Voter Registrar for revenue from state allocation
- \$0.01 million appropriation to Commissioner of the Revenue for revenue from state allocation
- \$0.03 million to the Police Department from re-appropriation of restricted revenue received in FY 2021 and new revenue received in FY 2022 from grants and donations
- \$0.08 million to the Fire Department from re-appropriation of restricted revenue received in FY 2021 and new revenue received in FY 2022 from grants
- \$0.31 million additional transfer to the PCPS for the prior year unspent transfer to provide additional funding towards technology and for employee one-time special pay compensation
- \$0.05 million to the Library Department from re-appropriation of restricted revenue received in FY 2021 and revenue received for donations and state allocation in FY 2022
- \$0.05 million appropriation to the Assessor for support to implement the assessing software
- \$0.03 million to the Building Maintenance Division from re-appropriation of restricted revenue received in FY 2021 and new revenue in FY 2022
- \$0.02 million to Parks and Recreation for appropriation of new revenue
- \$1.54 million appropriation to provide transfer to the Capital Project Fund for a purchase of land, school buses, scoreboard, bleachers, replacement roof for City Hall and additional funding for the assessor's software and renovations for the Poquoson Middle School.

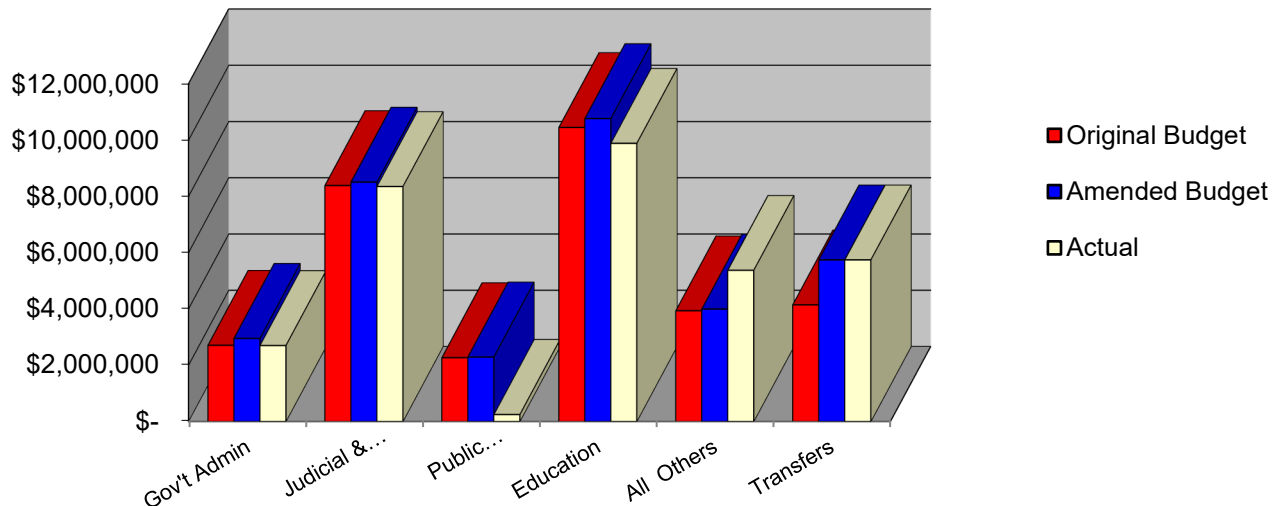
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues and other financing sources of \$33.2 million exceeded the original budget by \$1.4 million and was less than the amended budget by \$1.0 million. It should be noted that the City budgeted \$2.2 million for use of the fund balance, which is not included in the actual revenue for General Fund. The increase in revenues from the amended budget is additional revenue from local sources of taxes and permit fees.

General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$32.3 million were less than the amended budget by \$2.0 million and slightly above the original budget by \$0.4 million. The decrease in expenditures from the amended budget is a result of vacancies within the City and reduction in operating expenditures.

(Continued)

The budgetary comparison can be found on Exhibit L. For budgetary purposes, the City includes encumbrances outstanding at year-end in expenditures, which is not in accordance with U.S. GAAP. A reconciliation of budgetary basis to U.S. GAAP is also shown on Exhibit L.

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 2022, capital project expenditures of \$11.3 million included for assessment software upgrades, police vehicles, school buses, public work equipment, sidewalks, costs for highway and drainage improvements, and the continuing cost to renovate the Poquoson Middle School which was completed September 2022.

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, 2022, amounted to \$62.5 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, and allocated school buildings. The City owns roads, streetlights, and other infrastructure, but has only capitalized these assets placed in service since July 1, 2002. Infrastructure was capitalized beginning in FY 2007. The PCPS 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 PCPS to allocate a portion of their asset to the City, if the City has outstanding debt on the school building.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Land	\$ 3,452,916	\$ 3,119,401	\$ 217,666	\$ 217,666	\$ 3,670,582	\$ 3,337,067
Land improvements	2,203,058	1,930,282	-	-	2,203,058	1,930,282
Construction in progress	17,430,509	8,528,419	138,700	-	17,569,209	8,528,419
Buildings	3,728,019	4,043,239	88,702	96,418	3,816,721	4,139,657
Building improvements	243,063	283,414	-	-	243,063	283,414
Infrastructure	6,671,728	6,845,892	-	-	6,671,728	6,845,892
Machinery and equipment	3,415,597	3,418,399	926,924	1,052,451	4,342,521	4,470,850
Sewer system	-	-	8,076,686	8,594,645	8,076,686	8,594,645
Allocated school buildings	15,872,219	16,235,562	-	-	15,872,219	16,235,562
	\$ 53,017,109	\$ 44,404,608	\$ 9,448,678	\$ 9,961,181	\$ 62,465,787	\$ 54,365,788

Debt Administration. Total outstanding general obligation debt at June 30, 2022 was \$41.2 million of which \$37.2 million is considered to be net direct tax supported debt. Included in the total debt are \$37.2 million in bonds and \$0.1 million in leases. The remaining \$3.9 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund. The net change in fund balance was the result of City Council appropriating the use towards capital improvement projects in the Capital Project Fund.

(Continued)

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, 2022, debt limitation for the City is \$179.4 million, which is significantly in excess of the City's \$37.2 million outstanding net direct bonded debt.

**Net Direct Tax Supported Debt
General Governmental Activities**

	FY 2022	FY 2021
Net direct bonded debt	\$34,941,000	\$37,220,997
Ratio of outstanding direct debt to assessed value	1.96%	2.13%

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

Economic Factors and Next Year's Budgets and Rates

The FY 2023 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2023 adopted budget maintained the real estate tax rate of \$1.13 per \$100 of assessed value.
- The FY 2023 adopted budget did, to the greatest extent possible, continue City services/programs at their current levels.
- The FY 2023 adopted budget took into account the second half of the calendar year (July-December) the assessed value of automobiles and trucks at 90% of the total valuation.
- The FY 2023 adopted budget provided for fully funding the School Superintendent's requested budget plus the ability for an additional equivalent to an additional 1% pay adjustment for school employees in addition to the 5% compensation increase included in the requested budget.
- The FY 2023 adopted budget provided for a pay compensation increase for City employees of 5% and a special pay adjustment for public safety of an additional \$2,500 and for general employees an additional \$1,000.
- The FY 2023 adopted budget provided continuing funding for annual public safety physical examinations for each of our sworn public safety officers making the second year in which to offer the examinations.
- The FY 2023 adopted budget maintained rates for sewer and solid waste fees.
- The FY 2023 adopted budget continued the funding for the other postemployment benefits for eligible employees who retire from the City and a modest contribution to the trust held by VML/VACo Pooled OPEB Trust.
- The FY 2023 adopted budget provided for the construction of a new Public Safety Building which as envisioned will include the Police Department, Fire Administration and the Emergency Operation Center.

Requests for Information

This financial report is designed to provide a general overview of the City'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:

Tonya A. O'Connell, CPA
Assistant City Manager
500 City Hall Avenue
Poquoson, Virginia 23662

BASIC FINANCIAL STATEMENTS

CITY OF POQUOSON, VIRGINIA

Exhibit A

STATEMENT OF NET POSITION

June 30, 2022

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and investments (Note 2)	\$ 20,897,154	\$ 3,873,065	\$ 24,770,219	\$ 3,669,765
Restricted cash and investments (Note 2)	4,508,406	-	4,508,406	789,674
Property taxes receivable, net (Note 3)	849,756	-	849,756	-
Other receivables, net (Note 3)	217,571	479,483	697,054	-
Due from component units (Note 6)	887,895	-	887,895	-
Other current assets	28,156	10,801	38,957	18,010
Net pension asset (Note 15)	864,896	34,070	898,966	-
Notes receivable, component unit (Note 4, 6)	1,647,904	-	1,647,904	-
Leases receivable (Note 19)	1,710,720	-	1,710,720	-
Due from other governmental units (Note 5)	1,325,809	-	1,325,809	766,611
Capital assets (Note 7):				
Nondepreciable	20,883,425	356,366	21,239,791	2,781,821
Depreciable	32,133,684	9,092,312	41,225,996	7,676,243
Total assets	<u>\$ 85,955,376</u>	<u>\$ 13,846,097</u>	<u>\$ 99,801,473</u>	<u>\$ 15,702,124</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension (Note 15)	\$ 2,648,795	\$ 104,340	\$ 2,753,135	\$ 3,991,013
Deferred outflows related to OPEB (Notes 16, 17, 18)	753,011	29,555	782,566	544,406
Deferred refunding costs	703,998	-	703,998	-
Total deferred outflows of resources	<u>\$ 4,105,804</u>	<u>\$ 133,895</u>	<u>\$ 4,239,699</u>	<u>\$ 4,535,419</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,316,714	\$ 228,336	\$ 2,545,050	\$ 2,484,924
Accrued payroll	3,913	11,765	15,678	-
Accrued interest	449,869	17,443	467,312	6,569
Unearned revenues	7,645,345	-	7,645,345	-
Due to Primary Government (Note 6, 9)	-	-	-	2,535,799
Noncurrent liabilities (Note 8):				
Due within one year	2,738,238	638,302	3,376,540	85,529
Due in more than one year	37,734,977	3,426,193	41,161,170	13,890,128
Total liabilities	<u>\$ 50,889,056</u>	<u>\$ 4,322,039</u>	<u>\$ 55,211,095</u>	<u>\$ 19,002,949</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension (Note 15)	\$ 5,470,686	\$ 215,499	\$ 5,686,185	\$ 8,523,316
Deferred inflows related to OPEB (Notes 16, 17, 18)	571,647	22,519	594,166	504,021
Deferred inflows related to leases (Note 19)	1,684,751	-	1,684,751	-
Deferred refunding costs	195,450	163,750	359,200	-
Total deferred inflows of resources	<u>\$ 7,922,534</u>	<u>\$ 401,768</u>	<u>\$ 8,324,302</u>	<u>\$ 9,027,337</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	\$ 19,335,724	\$ 5,342,928	\$ 24,678,652	\$ 10,414,474
Restricted for:				
Education	858,980	-	858,980	789,674
Public safety	70,554	-	70,554	-
Parks, recreation, and cultural	26,380	-	26,380	-
Community development	127,893	-	127,893	-
Grants	169,592	-	169,592	-
Pension	864,896	34,070	898,966	-
Unrestricted (deficit)	9,795,571	3,879,187	13,674,758	(18,996,891)
Total net position	<u>\$ 31,249,590</u>	<u>\$ 9,256,185</u>	<u>\$ 40,505,775</u>	<u>\$ (7,792,743)</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF POQUOSON, VIRGINIA

Exhibit B

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government administration	\$ 3,106,109	\$ 752,271	\$ -	\$ 26,199	\$ (2,327,639)	\$ -	\$ (2,327,639)	\$ -
Public safety and judicial	8,604,872	359,727	447,842	-	(7,797,303)	-	(7,797,303)	-
Public works	3,092,069	-	915,000	782,366	(1,394,703)	-	(1,394,703)	-
Health and welfare	986,273	-	155,925	-	(830,348)	-	(830,348)	-
Education	11,101,660	-	-	-	(11,101,660)	-	(11,101,660)	-
Parks, recreation and cultural	1,336,154	65,835	184,882	-	(1,085,437)	-	(1,085,437)	-
Economic Development Authority	21,000	-	-	-	(21,000)	-	(21,000)	-
Community development	557,876	216,953	-	65,876	(275,047)	-	(275,047)	-
Interest and fees on long-term debt	1,027,962	-	-	-	(1,027,962)	-	(1,027,962)	-
Total governmental activities	29,833,975	1,394,786	1,703,649	874,441	(25,861,099)	-	(25,861,099)	-
Business-type activities:								
Sewer	1,279,528	1,852,819	-	-	-	573,291	573,291	-
Solid waste	1,130,131	1,197,768	-	-	-	67,637	67,637	-
Total business-type activities	2,409,659	3,050,587	-	-	-	640,928	640,928	-
Total primary government	\$ 32,243,634	\$ 4,445,373	\$ 1,703,649	\$ 874,441	(25,861,099)	640,928	(25,220,171)	-
COMPONENT UNITS								
Poquoson Public Schools	\$ 25,531,224	\$ 2,113,787	\$ 13,001,686	\$ -	-	-	-	(10,415,751)
Economic Development Authority	116,067	14,309	-	-	-	-	-	(101,758)
Total component units	\$ 25,647,291	\$ 2,128,096	\$ 13,001,686	\$ -	-	-	-	(10,517,509)
General revenues:								
Real estate and personal property taxes					25,983,555	-	25,983,555	-
Sales and use taxes					1,332,355	-	1,332,355	3,032,251
Meals taxes					948,641	-	948,641	-
Business license taxes					488,190	-	488,190	-
Other local taxes					842,020	-	842,020	-
Payments from the City of Poquoson					-	-	-	10,067,881
Reimbursements from other agencies not restricted to specific programs					173,571	-	173,571	-
Miscellaneous					130,082	106	130,188	-
Unrestricted investment earnings					87,811	48,279	136,090	-
Transfers (Note 13)					250,000	(250,000)	-	-
Total general revenues, transfers, and miscellaneous					30,236,225	(201,615)	30,034,610	13,100,132
Change in net position					4,375,126	439,313	4,814,439	2,582,623
NET POSITION								
Beginning of year					26,874,464	8,816,872	35,691,336	(10,375,366)
End of year					\$ 31,249,590	\$ 9,256,185	\$ 40,505,775	\$ (7,792,743)

The Notes to Financial Statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2022

	General	Debt Service	Capital Projects	Grants Special Revenue	Total Governmental Funds
ASSETS					
Cash and investments	\$ 9,480,465	\$ 28,760	\$ 3,599,167	\$ 7,634,950	\$ 20,743,342
Restricted cash and investments	-	-	4,508,406	-	4,508,406
Property taxes receivable, net	849,756	-	-	-	849,756
Other receivables	217,571	-	-	-	217,571
Due from component units	887,895	-	-	-	887,895
Notes receivable, component unit	1,647,904	-	-	-	1,647,904
Due from other governmental units	1,300,656	-	25,153	-	1,325,809
Leases receivable	1,710,720	-	-	-	1,710,720
Total assets	<u>\$ 16,094,967</u>	<u>\$ 28,760</u>	<u>\$ 8,132,726</u>	<u>\$ 7,634,950</u>	<u>\$ 31,891,403</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 794,083	\$ -	\$ 1,482,337	\$ -	\$ 2,276,420
Unearned revenues	179,987	-	-	7,465,358	7,645,345
Total liabilities	<u>974,070</u>	<u>-</u>	<u>1,482,337</u>	<u>7,465,358</u>	<u>9,921,765</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	680,059	-	-	-	680,059
Leases	1,684,751	-	-	-	1,684,751
Total deferred inflows of resources	<u>2,364,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,364,810</u>
FUND BALANCES (Note 11)					
Nonspendable	1,647,904	-	-	-	1,647,904
Restricted	1,083,807	-	4,508,406	169,592	5,761,805
Committed	1,000,000	-	-	-	1,000,000
Assigned	387,078	28,760	2,141,983	-	2,557,821
Unassigned	8,637,298	-	-	-	8,637,298
Total fund balances	<u>12,756,087</u>	<u>28,760</u>	<u>6,650,389</u>	<u>169,592</u>	<u>19,604,828</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,094,967</u>	<u>\$ 28,760</u>	<u>\$ 8,132,726</u>	<u>\$ 7,634,950</u>	<u>\$ 31,891,403</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
June 30, 2022**

TOTAL FUND BALANCES PER EXHIBIT C - BALANCE SHEET - GOVERNMENTAL FUNDS	\$ 19,604,828
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT A) 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 (excluding \$2,057 related to Internal Service Fund).	53,015,052
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$105,207 related to Internal Service Fund).	3,296,599
Deferred outflows and inflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds.	508,548
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	680,059
Net pension asset (excluding \$26,770 related to Internal Service Fund)	838,126
Other liabilities not paid from current period revenues are not reported in funds for:	
Accrued interest	(449,869)
Accrued compensated absences (excluding \$30,844 related to Internal Service Fund)	(671,919)
Net OPEB liability (excluding \$78,163 related to Internal Service Fund)	(2,447,185)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(37,245,104)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$187,019 related to Internal Service Fund).	(5,855,314)
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 Position.	(24,231)
Net position of governmental activities	<u>\$ 31,249,590</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2022

	General	Debt Service	Capital Projects	Grants Special Revenue	Total Governmental Funds
REVENUES					
General property taxes	\$ 23,792,933	\$ -	\$ -	\$ -	\$ 23,792,933
Other local taxes	3,611,206	-	-	-	3,611,206
Permits, privilege fees, and regulatory licenses	404,747	-	-	-	404,747
Fines and forfeitures	28,173	-	-	-	28,173
Use of money and property	87,603	-	-	208	87,811
Charges for services	641,965	-	-	-	641,965
Intergovernmental	4,109,664	-	782,366	92,075	4,984,105
Miscellaneous	32,330	17,516	91,105	-	140,951
Total revenues	<u>32,708,621</u>	<u>17,516</u>	<u>873,471</u>	<u>92,283</u>	<u>33,691,891</u>
EXPENDITURES					
General government administration	2,776,688	-	-	-	2,776,688
Public safety and judicial	8,309,915	-	-	-	8,309,915
Public works	2,112,453	-	-	-	2,112,453
Health and welfare	992,570	-	-	-	992,570
Parks, recreation, and cultural	1,686,054	-	-	-	1,686,054
Community development	583,908	-	-	-	583,908
Nondepartmental	166,537	-	-	92,283	258,820
Education	9,879,994	-	-	-	9,879,994
Economic Development Authority	21,000	-	-	-	21,000
Capital outlay	-	-	11,207,921	-	11,207,921
Debt service:					
Principal retirement	-	2,280,000	34,547	-	2,314,547
Interest and fiscal charges	-	1,297,963	1,228	-	1,299,191
Total expenditures	<u>26,529,119</u>	<u>3,577,963</u>	<u>11,243,696</u>	<u>92,283</u>	<u>41,443,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,179,502</u>	<u>(3,560,447)</u>	<u>(10,370,225)</u>	<u>-</u>	<u>(7,751,170)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 13)	513,000	3,795,000	2,922,167	-	7,230,167
Transfers out (Note 13)	(5,631,167)	(1,299,000)	(50,000)	-	(6,980,167)
Total other financing sources (uses)	<u>(5,118,167)</u>	<u>2,496,000</u>	<u>2,872,167</u>	<u>-</u>	<u>250,000</u>
Net change in fund balances	<u>1,061,335</u>	<u>(1,064,447)</u>	<u>(7,498,058)</u>	<u>-</u>	<u>(7,501,170)</u>
FUND BALANCES					
Beginning of year	<u>11,694,752</u>	<u>1,093,207</u>	<u>14,148,447</u>	<u>169,592</u>	<u>27,105,998</u>
End of year	<u>\$ 12,756,087</u>	<u>\$ 28,760</u>	<u>\$ 6,650,389</u>	<u>\$ 169,592</u>	<u>\$ 19,604,828</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
Year Ended June 30, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (7,501,170)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT 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. Unavailable revenues changed by this amount this year.

267,191

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	10,505,827
Depreciation expense	(1,892,737)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred refunding charge, net	(123,244)
Repayment of debt principal and capital leases	2,343,033
Amortization of premiums	329,393

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	36,594
Compensated absences	(42,992)
Pension expense, net of contributions	498,613
OPEB expense, net of contributions	(76,296)

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

30,914

Change in net position of governmental activities

\$ 4,375,126

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022

	Business-Type Activities Proprietary Funds			Governmental Activities - Internal Service Fund
	Sewer Operations	Solid Waste	Total	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 3,648,143	\$ 224,922	\$ 3,873,065	\$ 153,812
Accounts receivable	276,190	203,293	479,483	-
Other current assets	3,125	7,676	10,801	28,156
Total current assets	3,927,458	435,891	4,363,349	181,968
NONCURRENT ASSETS				
Net pension asset	27,943	6,127	34,070	26,770
Capital assets:				
Land	217,666	-	217,666	-
Buildings	123,549	9,023	132,572	41,742
Sewer system	22,551,562	-	22,551,562	-
Machinery and equipment	1,862,527	584,856	2,447,383	37,772
Construction in progress	138,700	-	138,700	-
Accumulated depreciation	(15,581,338)	(457,867)	(16,039,205)	(77,457)
Total noncurrent assets	9,340,609	142,139	9,482,748	28,827
Total assets	<u>\$ 13,268,067</u>	<u>\$ 578,030</u>	<u>\$ 13,846,097</u>	<u>\$ 210,795</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	\$ 85,577	\$ 18,763	\$ 104,340	\$ 81,984
Deferred outflows related to OPEB	24,239	5,316	29,555	23,223
Total deferred outflows of resources	<u>\$ 109,816</u>	<u>\$ 24,079</u>	<u>\$ 133,895</u>	<u>\$ 105,207</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 148,532	\$ 79,804	\$ 228,336	\$ 40,294
Accrued payroll	8,870	2,895	11,765	3,913
Accrued interest	17,443	-	17,443	-
Compensated absences	1,867	435	2,302	3,084
Bonds payable	636,000	-	636,000	-
Total current liabilities	812,712	83,134	895,846	47,291
NONCURRENT LIABILITIES				
Compensated absences	16,801	3,915	20,716	27,760
Bonds payable	3,306,000	-	3,306,000	-
Net OPEB liabilities	81,589	17,888	99,477	78,163
Total noncurrent liabilities	3,404,390	21,803	3,426,193	105,923
Total liabilities	<u>\$ 4,217,102</u>	<u>\$ 104,937</u>	<u>\$ 4,322,039</u>	<u>\$ 153,214</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	\$ 176,746	\$ 38,753	\$ 215,499	\$ 169,325
Deferred inflows related to OPEB	18,469	4,050	22,519	17,694
Deferred refunding costs	163,750	-	163,750	-
Total deferred inflows of resources	<u>\$ 358,965</u>	<u>\$ 42,803</u>	<u>\$ 401,768</u>	<u>\$ 187,019</u>
NET POSITION				
Net investment in capital assets	\$ 5,206,916	\$ 136,012	\$ 5,342,928	\$ 2,057
Restricted	27,943	6,127	34,070	26,770
Unrestricted (deficit)	3,566,957	312,230	3,879,187	(53,058)
Total net position	<u>\$ 8,801,816</u>	<u>\$ 454,369</u>	<u>\$ 9,256,185</u>	<u>\$ (24,231)</u>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2022

	Business-Type Activities Proprietary Funds			Governmental Activities - Internal Service Fund
	Sewer Operations	Solid Waste	Total	
OPERATING REVENUES				
Charges for services	\$ 1,798,636	\$ 1,197,768	\$ 2,996,404	\$ 913,581
Miscellaneous	-	106	106	-
Total operating revenues	<u>1,798,636</u>	<u>1,197,874</u>	<u>2,996,510</u>	<u>913,581</u>
EXPENSES				
Personnel services	333,870	105,476	439,346	309,142
Contractual services	82,591	498,019	580,610	543,523
Materials and supplies	107,921	63,590	171,511	10,090
Utilities	75,978	79	76,057	3,849
Depreciation	646,208	18,534	664,742	589
Other charges	32,960	3,867	36,827	15,474
Waste disposal	-	440,566	440,566	-
Total operating expenses	<u>1,279,528</u>	<u>1,130,131</u>	<u>2,409,659</u>	<u>882,667</u>
Operating income	<u>519,108</u>	<u>67,743</u>	<u>586,851</u>	<u>30,914</u>
NONOPERATING REVENUES				
Interest income	18,093	-	18,093	-
Interest and fiscal charges	30,186	-	30,186	-
Sewer availability fees	54,183	-	54,183	-
Total nonoperating revenues	<u>102,462</u>	<u>-</u>	<u>102,462</u>	<u>-</u>
INCOME BEFORE TRANSFERS	<u>621,570</u>	<u>67,743</u>	<u>689,313</u>	<u>30,914</u>
TRANSFERS				
Transfers out	<u>(200,000)</u>	<u>(50,000)</u>	<u>(250,000)</u>	<u>-</u>
Change in net position	421,570	17,743	439,313	30,914
NET POSITION				
Beginning of year	<u>8,380,246</u>	<u>436,626</u>	<u>8,816,872</u>	<u>(55,145)</u>
End of year	<u><u>\$ 8,801,816</u></u>	<u><u>\$ 454,369</u></u>	<u><u>\$ 9,256,185</u></u>	<u><u>\$ (24,231)</u></u>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2022

	Business-Type Activities			Internal Service Fund
	Sewer Operations	Solid Waste	Total	
OPERATING ACTIVITIES				
Received from customers and users	\$ 1,745,289	\$ 1,194,904	\$ 2,940,193	\$ 913,581
Payments to suppliers for goods and services	(179,626)	(1,001,346)	(1,180,972)	(572,297)
Payments to employees	(338,665)	(108,969)	(447,634)	(311,230)
Net cash provided by operating activities	<u>1,226,998</u>	<u>84,589</u>	<u>1,311,587</u>	<u>30,054</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds, net	<u>(200,000)</u>	<u>(50,000)</u>	<u>(250,000)</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(606,002)	-	(606,002)	-
Sewer availability fees	54,183	-	54,183	-
Interest paid on capital debt	(76,762)	-	(76,762)	-
Acquisition and construction of capital assets	<u>(152,240)</u>	<u>-</u>	<u>(152,240)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(780,821)</u>	<u>-</u>	<u>(780,821)</u>	<u>-</u>
INVESTING ACTIVITIES				
Payments received on notes receivable	137	-	137	-
Interest received	<u>18,093</u>	<u>-</u>	<u>18,093</u>	<u>-</u>
Net cash provided by investing activities	<u>18,230</u>	<u>-</u>	<u>18,230</u>	<u>-</u>
Net increase in cash and investments	264,407	34,589	298,996	30,054
CASH AND INVESTMENTS				
Beginning of year	<u>3,383,736</u>	<u>190,333</u>	<u>3,574,069</u>	<u>123,758</u>
End of year	<u><u>\$ 3,648,143</u></u>	<u><u>\$ 224,922</u></u>	<u><u>\$ 3,873,065</u></u>	<u><u>\$ 153,812</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 519,108	\$ 67,743	\$ 586,851	\$ 30,914
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	646,208	18,534	664,742	589
Pension recovery	(17,276)	(5,424)	(22,700)	(14,781)
OPEB expense	8,256	412	8,668	9,299
Changes in assets and liabilities:				
Receivables	(8,067)	(2,970)	(11,037)	-
Prepaid expenses	(3,125)	(1,076)	(4,201)	(4,364)
Inventories	-	1,969	1,969	(12,160)
Accounts payable and accrued liabilities	122,949	3,882	126,831	17,163
Accrued payroll	4,423	1,297	5,720	(242)
Accrued compensated absences	(198)	222	24	3,636
Unearned revenues	<u>(45,280)</u>	<u>-</u>	<u>(45,280)</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 1,226,998</u></u>	<u><u>\$ 84,589</u></u>	<u><u>\$ 1,311,587</u></u>	<u><u>\$ 30,054</u></u>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	Other Postemployment Benefits Trust Fund	Library Custodial Fund
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ 71,365	\$ 17,727
Investments in pooled funds	203,997	-
	<hr/>	<hr/>
	<u>\$ 275,362</u>	<u>\$ 17,727</u>
	<hr/>	<hr/>
LIABILITIES		
Advance payments	\$ 8,409	\$ -
	<hr/>	<hr/>
NET POSITION		
Restricted for postemployment benefits other than pensions	\$ 266,953	\$ -
Restricted for others	-	17,727
	<hr/>	<hr/>
	<u>\$ 266,953</u>	<u>\$ 17,727</u>
	<hr/>	<hr/>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

	Other Postemployment Benefits Trust Fund	Library Custodial Fund
	<hr/>	<hr/>
ADDITIONS		
Contributions, retirees	\$ 93,491	\$ 45
Contributions from primary government	104,388	-
Net decrease in fair value of investments	<u>(27,017)</u>	<u>-</u>
Total additions	170,862	45
DEDUCTIONS		
Retirement benefits	<u>164,509</u>	<u>-</u>
Net change in fiduciary net position	6,353	45
NET POSITION		
Beginning of year	<u>260,600</u>	<u>17,682</u>
End of year	<u><u>\$ 266,953</u></u>	<u><u>\$ 17,727</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF POQUOSON, VIRGINIA

Exhibit J

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2022

	Poquoson City Public Schools	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents, net	\$ 3,612,494	\$ 57,271	\$ 3,669,765
Restricted cash and cash equivalents	789,674	-	789,674
Due from other governments	766,611	-	766,611
Inventory	18,010	-	18,010
Capital assets:			
Nondepreciable	450,876	2,330,945	2,781,821
Depreciable, net	7,633,257	42,986	7,676,243
	<u>\$ 13,270,922</u>	<u>\$ 2,431,202</u>	<u>\$ 15,702,124</u>
Total assets			
	<u>\$ 13,270,922</u>	<u>\$ 2,431,202</u>	<u>\$ 15,702,124</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	\$ 3,991,013	\$ -	\$ 3,991,013
Deferred outflows related to OPEB	544,406	-	544,406
	<u>\$ 4,535,419</u>	<u>\$ -</u>	<u>\$ 4,535,419</u>
Total deferred outflows of resources			
	<u>\$ 4,535,419</u>	<u>\$ -</u>	<u>\$ 4,535,419</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,464,675	\$ 20,249	\$ 2,484,924
Accrued interest payable	-	6,569	6,569
Due to primary government	887,895	1,647,904	2,535,799
Noncurrent liabilities:			
Due within one year	85,529	-	85,529
Due in more than one year	377,446	-	377,446
Net pension liability	10,801,944	-	10,801,944
Net OPEB liability	2,710,738	-	2,710,738
	<u>\$ 17,328,227</u>	<u>\$ 1,674,722</u>	<u>\$ 19,002,949</u>
Total liabilities			
	<u>\$ 17,328,227</u>	<u>\$ 1,674,722</u>	<u>\$ 19,002,949</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	\$ 8,523,316	\$ -	\$ 8,523,316
Deferred inflows related to OPEB	504,021	-	504,021
	<u>\$ 9,027,337</u>	<u>\$ -</u>	<u>\$ 9,027,337</u>
Total deferred inflows of resources			
	<u>\$ 9,027,337</u>	<u>\$ -</u>	<u>\$ 9,027,337</u>
NET POSITION			
Net investment in capital assets	\$ 8,040,543	\$ 2,373,931	\$ 10,414,474
Restricted	789,674	-	789,674
Unrestricted (deficit)	(17,379,440)	(1,617,451)	(18,996,891)
	<u>\$ (8,549,223)</u>	<u>\$ 756,480</u>	<u>\$ (7,792,743)</u>
Total net position			
	<u>\$ (8,549,223)</u>	<u>\$ 756,480</u>	<u>\$ (7,792,743)</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF POQUOSON, VIRGINIA

Exhibit K

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net		Total
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Poquoson City Public Schools	Economic Development Authority	
Poquoson City Public Schools							
Education	\$ 25,531,224	\$ 2,113,787	\$ 13,001,686	\$ -	\$ (10,415,751)	\$ -	\$ (10,415,751)
Economic Development Authority	116,067	14,309	-	-	-	(101,758)	(101,758)
	<u>\$ 25,647,291</u>	<u>\$ 2,128,096</u>	<u>\$ 13,001,686</u>	<u>\$ -</u>	<u>(10,415,751)</u>	<u>(101,758)</u>	<u>(10,517,509)</u>
General revenues:							
Sales tax					3,032,251	-	3,032,251
City of Poquoson					9,980,797	87,084	10,067,881
Total general revenues					<u>13,013,048</u>	<u>87,084</u>	<u>13,100,132</u>
Change in net position					2,597,297	(14,674)	2,582,623
NET POSITION (DEFICIT)							
Beginning of year					<u>(11,146,520)</u>	<u>771,154</u>	<u>(10,375,366)</u>
End of year					<u>\$ (8,549,223)</u>	<u>\$ 756,480</u>	<u>\$ (7,792,743)</u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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 (U.S. GAAP) as applicable to government units. The following is a summary of the more significant accounting policies:

Financial reporting entity

The City, which was 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 including the Courts, Social Services, Sheriff's Department, and E-911 Center. 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 reporting entity of the City has been determined in accordance with U.S. GAAP established by the Governmental Accounting Standards Board (GASB). As required by those principles, these financial statements present the City (Primary Government) and its discretely presented component units, the Poquoson City Public Schools (PCPS), 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).

PCPS is responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. PCPS 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 PCPS facilities and to provide funding for the operations. Therefore, PCPS 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, PCPS 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. PCPS does not issue separate financial statements.

The EDA 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. Its income is derived from appropriations from the City, fees and land sales, and rental of property. 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 14, Related Party Transactions, are excluded from the City's Annual Comprehensive Financial Report (ACFR) as the City does not have financial accountability over their activities.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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. The City uses an internal service fund to account for its fleet vehicles. Because this service predominantly benefits governmental, rather than business-type, functions the fleet fund has been included with governmental activities in the government-wide financial statements. 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.

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 and fiduciary financial statements. 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, therefore, have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the government.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

The City reports the following major governmental funds:

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

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

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

The *Grants Special Revenue Fund* accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administration action.

The City reports the following major enterprise 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 *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.

The City reports the following additional proprietary fund type:

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

Additionally, the City reports the following fiduciary fund types:

The *Other Postemployment Benefits Trust Fund (OPEB Trust Fund)* accounts for future benefits payable for eligible retirees of the City towards health insurance coverage in a plan covered by the City.

The *Library Custodial Fund* accounts for monies donated by the Friends of the Library for furnishings and supplies for the library.

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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Budget and budgetary accounting

City

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

Budgets are adopted on a budgetary basis, which is consistent with U.S. GAAP except 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, 2022, for an increase in appropriations in the amount of \$2,368,883 for additional grant funding and other financing sources for the Primary Government General Fund.

For the General Fund, the City Manager is authorized to transfer budgeted amounts between functions. Revisions that alter the total appropriations for a fund 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 fund. Unencumbered appropriations lapse at year-end.

Component Unit - Poquoson City Public Schools

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

For the PCPS 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.

Cash and investments

For purposes of reporting cash flows, the City considers all highly liquid investments which, when purchased, have a maturity of three months or less to be cash equivalents.

Investments consist of the State Treasurer's Local Government Investment Pool (LGIP), VML/VACo Virginia Investment Pool, federal government obligations, 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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Allowance for uncollectible accounts

The City (Primary Government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2022, 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 Fleet Management Internal Service Fund consists of supplies held for future use and is valued at average cost (weighted average method). Inventory in the Schools' Special Revenue Fund consists principally of items held for resale and are valued at cost (first-in, first-out method). Inventory is recognized as expenditures when consumed.

Capital assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government- wide financial statements to the extent that 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 funds' basis and the government-wide basis.

The City's capitalization policy threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at acquisition value. 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:

Buildings	15 - 40 years
Building improvements	5 - 40 years
Infrastructure	20 - 50 years
Machinery and equipment	3 - 50 years
Machinery and equipment, leased	life of lease
Land improvements	10 - 50 years
Sewer system	40 years

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.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Deferred outflows and inflows of resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an expense or an expenditure until that time. The City reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and other postemployment benefits (OPEB) in the government-wide and proprietary fund Statements of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, change in the proportionate share of total pension and OPEB liabilities, actual economic experience that is different than estimated, differences in projected and actual earnings on plan investments, and contributions made subsequent to the measurement date. Deferred outflows of resources resulting from contributions made subsequent to the measurement date but before the end of the employer's reporting period will be recognized as a reduction (increase) of the net pension liability (asset) in the fiscal year ending June 30, 2022. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants.

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time. Deferred inflows of resources are reported for amounts related to deferred charges on refunding and amounts related to leases, pensions, and OPEB in the government-wide and proprietary fund Statements of Net Position. Deferred lease amounts are amortized over the lives of the related leases on a straight-line basis. Actuarial losses resulting from actual economic experience that is different than estimated, pension and OPEB trust investment returns that are lower than projected earnings, changes in actuarial assumptions for pension and OPEB programs, and changes in proportionate share of pension and OPEB liabilities are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants, with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

Unearned revenues

On June 25, 2021, the City received funding of \$6,365,683 from the American Rescue Plan Act (ARPA) of 2021 provided by the Federal Government to help address the public health emergency with respect to a novel strain of coronavirus (COVID-19). The funds were received as a pass-through from the Commonwealth of Virginia. These funds were not spent during FY22 and are reported, along with other various unearned grant amounts, as unearned revenues in the Grants fund on the basic financial statements and will be recognized as revenue as earned in future periods to cover the cost for expenditures through the period of performance as defined by the grant agreement.

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, Solid Waste Fund, and Internal Service Fund based upon employees' duties.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Compensated absences (Continued)

The Schools also accrue compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences are recorded in their government-wide financial statements.

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).

Fund balances/net positions

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

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

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

Committed - Includes amounts that can be used only for the specific purposes determined by a formal action (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.

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

Unassigned - Is the residual classification for the City's General Fund and includes all spendable amounts not contained in other classifications. It is possible for the non-general funds to have negative unassigned fund balances when nonspendable and restricted amounts exceed the positive fund balance for that fund.

The City's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within the unrestricted fund balance, it is the City's policy to apply expenditures against committed amounts first, followed by assigned, and then unassigned amounts.

City Council has adopted a fund balance policy to maintain a General Fund unassigned fund balance at the close of each fiscal year equal to 12% - 15% of total General Fund operating expenditures. If the fund balance falls below the minimum target level, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within 24 months.

Net position in government-wide financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position 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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Sewer availability fees

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

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred flows of resources, revenue and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Concentration risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.83% 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.

Adoption of New Accounting Standard

Effective July 1, 2021, the City adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The following discussion provides the City's accounting policy regarding lease agreements.

During the year of implementation of GASB 87, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e. as of July 1, 2021). The City's leases in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the lease receivable and lease liability have been recognized and measured at the same amount as the related deferred inflow of resources and right-of-use lease asset, respectively, as of the implementation date (July 1, 2021). Therefore, no restatement of prior year net position was necessary.

Leases

The City is a lessee for various items of equipment. The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the statement of net position related to these agreements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, if any. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. However, for the year of implementation, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation if there were no prepayments (payments made at or before the commencement of the lease or to place the asset into service). None of the leases in place at the implementation date had such prepayments, as such, they have been recognized and measured as of the implementation date, July 1, 2021. As such, no restatement of the prior year net position was necessary.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The City is a lessor for a noncancellable lease of communication facility towers. The City recognizes a lease receivable and a deferred inflow of resources related to these agreements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the life of the lease term. However, for the year of implementation, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation if there were no prepayments (payments made at or before the commencement of the lease). None of the leases in place at the implementation date had such prepayments, as such, they have been recognized and measured as of the implementation date, July 1, 2021. As such, no restatement of the prior year net position was considered necessary.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease payments/receipts to present value, (2) lease term, and (3) lease payments/receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

2. Deposits and Investments

Deposits

Deposits with banks are collateralized in accordance with the Virginia Security for Public Deposits Act, 2.2-4400 et. seq. of the Code of Virginia (Act) or covered by the Federal Depository Insurance Corporation. 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 (the 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 there will be no loss of public funds and that makes the Pool similar to depository insurance.

At June 30, 2022, no balances of the Primary Government or its component units were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

2. Deposits and Investments (Continued)

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, bankers' acceptances, repurchase agreements, and the Virginia Treasurer's LGIP, which is managed in accordance with the "2a-7 like pool" risk limiting requirements of U.S. GAAP 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. As of June 30, 2022, the City had \$4,508,406 invested in SNAP, which values portfolio securities by the amortized cost method in accordance with U.S. GAAP and periodically monitors the relationship between the amortized cost value per share and the net asset value (NAV) per share based upon available indications of market value and takes corrective action, if required, to minimize any dilution or other unfair results which might arise from differences between amortized cost and NAV. All other investments are stated at fair value.

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 notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's LGIP.

The City participates in the Virginia Pooled OPEB Trust administered by the VML/VACo Finance. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The City's investment amounts are reported in the Statement of Fiduciary Net Position. The Board of Trustees of the Virginia Pooled OPEB Trust have adopted an investment policy to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. Investments are structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance, and asset allocation policies in light of market and economic conditions and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments through the appointment and oversight of investment managers and ensures adherence to the adopted policies and guidelines. Specific investment information and written investment policies for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 8 E. Canal Street, Richmond, VA 23219.

Investment policy

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:

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	75% 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

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

2. Deposits and Investments (Continued)

Investment Policy (continued)

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

Core Portfolio

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

Bond proceeds

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

Credit risk

As required by State Statute, the Policy requires commercial paper to 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 a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors 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 an outside brokerage and investment banking firm are rated “AAA” by Standard & Poor’s and “Aa2” or enhanced “Aa1” by Moody’s Investors Service.

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

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

2. Deposits and Investments (Continued)

Interest rate risk

As a 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 counterparty, 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, 2022, with the exception of the LGIP, all of the City's investments are held in a bank's trust department in the City's name.

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

	Investment Maturities (in years)		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 3 Years</u>
Commonwealth of Virginia LGIP	\$ 9,602,051	\$ 9,602,051	\$ -
VML/VACo Pooled OPEB Trust Fund	203,997	-	203,997
VIP	5,916,106	5,892,026	24,080
SNAP	<u>4,508,406</u>	<u>-</u>	<u>4,508,406</u>
Total investments	20,230,560	<u>\$ 15,494,077</u>	<u>\$ 4,736,483</u>

Reconciliation to total cash and investments:

Add: cash on hand and in banks	<u>13,800,593</u>
Total cash and investments	34,031,153
Less: cash and investments held in fiduciary funds	<u>293,089</u>
Total cash and investments, Exhibit A, Primary Government and Component Units	<u>\$ 33,738,064</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

3. Receivables

Real estate taxes are levied based on the assessed value of the property on each July 1 and attached 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 5 and June 5. The City bills and collects its own property taxes.

	Governmental Activities	Business-type Activities	Total
Real estate taxes	\$ 507,849	\$ -	\$ 507,849
Personal property taxes	646,907	-	646,907
Accounts receivable	<u>217,571</u>	<u>479,483</u>	<u>697,054</u>
	1,372,327	479,483	1,851,810
Less allowance for uncollectible accounts	<u>(305,000)</u>	<u>-</u>	<u>(305,000)</u>
Receivables, net	<u><u>\$ 1,067,327</u></u>	<u><u>\$ 479,483</u></u>	<u><u>\$ 1,546,810</u></u>

4. Notes Receivable

The City has a \$1,647,904 note receivable from the EDA. In fiscal year 2013, the EDA borrowed \$1,734,000 from the City to pay off their line of credit, which became due on June 30, 2013. The funds for this note receivable were obtained when the City issued a \$1,734,000 general obligation bond on June 12, 2013, along with a \$300,000 taxable line of credit for future economic development use (see Notes 8 and 9). The EDA has agreed to pay interest and principal when due, and will pay a minimum of 50% of the proceeds of any sale of property towards principal until the debt is paid in full.

5. Due from Other Governments

Due from other governments consists of the following:

Primary government

Commonwealth of Virginia:

Communications sales and use tax	\$ 24,063
Compensation Board	84,897
Children's Services Act	20,548
Division of Motor Vehicles	13,394
Emergency Medical Services Grant	10,297
Meals tax	85,926
PPTRA	884,118
Recordation tax	27,314
Sales tax	89,463
Deed of Conveyance	8,907
VDOT	25,153
State Public Assistance - Library ARPA	<u>7,136</u>
Total due from the Commonwealth of Virginia	<u>1,281,216</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

5. Due from Other Governments (Continued)

Primary government (Continued)

Federal government:

COVID-19 Cares Funds	\$ 5,475
DUI Grants - Selective Enforcement - Alcohol	2,584
DUI Grants - Selective Enforcement - Occupant Protection	1,559
APRA Funds/COVID-19	20,993
Bryne Justice Grant	6,482
Federal LEMPG Planning Grant	<u>7,500</u>
Total due from the Federal government	<u>44,593</u>
Total due from other governments	<u>\$ 1,325,809</u>

Component unit - School Board

Commonwealth of Virginia:

Sales tax	\$ 259,250
Technology reimbursement	<u>124,056</u>
Total due from the Commonwealth of Virginia	<u>383,306</u>

Federal Government:

Department of Education Program, Title VI-B	194,834
Various Grants	106,372
CARES ESSER III	<u>82,099</u>
Total due from the Federal government	<u>383,305</u>
Total due from other governments	<u>\$ 766,611</u>

6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2022, are as follows:

<u>Primary Government Receivable</u>	<u>Component Unit Payable</u>	<u>Total</u>
Due from EDA	Due to Primary Government	\$ 1,647,904
Due from Schools	Due to Primary Government	<u>887,895</u>
		<u>\$ 2,535,799</u>

See Notes 4, 8 and 9 notes receivable for more information regarding the EDA's \$1,647,904 due to the City.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

7. Capital Assets

A summary of changes in capital assets for the governmental activities is as follows:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2022</u>
Capital assets not subject to depreciation:				
Land	\$ 3,119,401	\$ 438,721	\$ 105,206	\$ 3,452,916
Construction in process	<u>8,528,419</u>	<u>9,700,763</u>	<u>798,673</u>	<u>17,430,509</u>
Total capital assets not subject to depreciation	<u>11,647,820</u>	<u>10,139,484</u>	<u>903,879</u>	<u>20,883,425</u>
Capital assets subject to depreciation:				
Buildings	10,645,664	-	-	10,645,664
Building improvements	504,665	-	-	504,665
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	4,597,850	423,535	-	5,021,385
Machinery and equipment	<u>10,406,927</u>	<u>485,797</u>	<u>67,387</u>	<u>10,825,337</u>
Total capital assets subject to depreciation	<u>66,539,425</u>	<u>909,332</u>	<u>67,387</u>	<u>67,381,370</u>
Accumulated depreciation:				
Buildings	6,602,425	356,962	-	6,959,387
Building improvements	221,251	40,351	-	261,602
Infrastructure	33,538,427	174,164	-	33,712,591
Land improvements	2,667,568	150,759	-	2,818,327
Machinery and equipment	<u>6,988,528</u>	<u>524,314</u>	<u>67,387</u>	<u>7,445,455</u>
Total accumulated depreciation	<u>50,018,199</u>	<u>1,246,550</u>	<u>67,387</u>	<u>51,197,362</u>
Total capital assets subject to depreciation, net, before allocation from School Board	<u>16,521,226</u>	<u>(337,218)</u>	<u>-</u>	<u>16,184,008</u>
Allocation of School Board assets:				
Buildings	23,318,792	360,890	-	23,679,682
Accumulated depreciation	<u>7,083,230</u>	<u>646,776</u>	<u>-</u>	<u>7,730,006</u>
Total allocated from School Board	<u>16,235,562</u>	<u>(285,886)</u>	<u>-</u>	<u>15,949,676</u>
Total capital assets subject to depreciation	<u>32,756,788</u>	<u>(623,104)</u>	<u>-</u>	<u>32,133,684</u>
Total capital assets	<u>\$ 44,404,608</u>	<u>\$ 9,516,380</u>	<u>\$ 903,879</u>	<u>\$ 53,017,109</u>

The City has three construction projects in process as of year-end under which it is committed to payments to contractors not included in accounts payable at year end. The projects consist of the following: Poquoson Middle School, police software, and assessment software. The total outstanding commitment for these projects at June 30, 2022 is \$184,509.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

7. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General government administration	\$ 68,090
Public safety	569,182
Public works	483,013
Parks, recreation, and cultural	125,676
Education	646,776
Internal Service Fund	<u>589</u>
	<u>\$ 1,893,326</u>

A summary of changes in capital assets for the business-type activities is as follows:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2022</u>
Capital assets not subject to depreciation:				
Land	\$ 217,666	\$ -	\$ -	\$ 217,666
Construction in process	<u>-</u>	<u>138,700</u>	<u>-</u>	<u>138,700</u>
Total capital assets not subject to depreciation	<u>217,666</u>	<u>138,700</u>	<u>-</u>	<u>356,366</u>
Capital assets subject to depreciation:				
Buildings	132,572	-	-	132,572
Machinery and equipment	2,433,844	13,539	-	2,447,383
Sewer system	<u>22,551,562</u>	<u>-</u>	<u>-</u>	<u>22,551,562</u>
Total capital assets subject to depreciation	<u>25,117,978</u>	<u>13,539</u>	<u>-</u>	<u>25,131,517</u>
Accumulated depreciation:				
Buildings	36,154	7,716	-	43,870
Machinery and equipment	1,381,393	139,066	-	1,520,459
Sewer system	<u>13,956,916</u>	<u>517,960</u>	<u>-</u>	<u>14,474,876</u>
Total accumulated depreciation	<u>15,374,463</u>	<u>664,742</u>	<u>-</u>	<u>16,039,205</u>
Total capital assets subject to depreciation	<u>9,743,515</u>	<u>(651,203)</u>	<u>-</u>	<u>9,092,312</u>
Total capital assets	<u>\$ 9,961,181</u>	<u>\$ (512,503)</u>	<u>\$ -</u>	<u>\$ 9,448,678</u>

Depreciation of the business-type activities was charged to enterprise funds as follows:

Sewer Fund	\$ 646,208
Solid Waste Fund	<u>18,534</u>
	<u>\$ 664,742</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

7. Capital Assets (Continued)

A summary of changes in capital assets for the Schools follows:

	<u>Balance at July 1, 2021*</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2022</u>
Capital assets not subject to depreciation:				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Capital assets subject to depreciation:				
Buildings and building improvements	36,776,218	170,009	-	36,946,227
Infrastructure	155,672	5,200	-	160,872
Land improvements	4,308,575	50,075	-	4,358,650
Machinery and equipment	3,634,693	251,377	10,500	3,875,570
Machinery and equipment, leased *	86,020	-	-	86,020
Total capital assets subject to depreciation	<u>44,961,178</u>	<u>476,661</u>	<u>10,500</u>	<u>45,427,339</u>
Accumulated depreciation:				
Buildings and building improvements	15,252,507	783,015	-	16,035,522
Infrastructure	30,806	6,512	-	37,318
Land improvements	2,800,183	180,048	-	2,980,231
Machinery and equipment	2,515,131	243,694	10,500	2,748,325
Machinery and equipment, leased *	-	43,010	-	43,010
Total accumulated depreciation	<u>20,598,627</u>	<u>1,256,279</u>	<u>10,500</u>	<u>21,844,406</u>
Total capital assets subject to depreciation, net, before allocation to City	<u>24,362,551</u>	<u>(779,618)</u>	<u>-</u>	<u>23,582,933</u>
Allocation to City:				
Buildings	23,318,792	360,890	-	23,679,682
Accumulated depreciation	<u>7,083,230</u>	<u>646,776</u>	<u>-</u>	<u>7,730,006</u>
Total allocated to City	<u>16,235,562</u>	<u>(285,886)</u>	<u>-</u>	<u>15,949,676</u>
Total capital assets subject to depreciation	<u>8,126,989</u>	<u>(493,732)</u>	<u>-</u>	<u>7,633,257</u>
Total capital assets	<u>\$ 8,577,865</u>	<u>\$ (493,732)</u>	<u>\$ -</u>	<u>\$ 8,084,133</u>

*Balances have been restated for the inclusion of right-of-use lease assets as a result of the implementation of GASB Statement No. 87.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

7. Capital Assets (Continued)

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

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2022</u>
Capital assets not subject to depreciation:				
Land	\$ 2,330,945	\$ -	\$ -	\$ 2,330,945
Capital assets subject to depreciation:				
Infrastructure	315,273	-	-	315,273
Accumulated depreciation:				
Infrastructure	<u>257,956</u>	<u>14,331</u>	<u>-</u>	<u>272,287</u>
Total capital assets subject to depreciation	<u>57,317</u>	<u>(14,331)</u>	<u>-</u>	<u>42,986</u>
Total capital assets	<u>\$ 2,388,262</u>	<u>\$ (14,331)</u>	<u>\$ -</u>	<u>\$ 2,373,931</u>

8. Long-Term Obligations

Governmental activities

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

	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 37,220,997	\$ -	\$ 2,279,997	\$ 34,941,000	\$ 2,406,000
Unamortized premium	<u>2,604,395</u>	<u>-</u>	<u>329,393</u>	<u>2,275,002</u>	<u>233,473</u>
	39,825,392	-	2,609,390	37,216,002	2,639,473
Financed purchase obligations	<u>92,138</u>	<u>-</u>	<u>63,036</u>	<u>29,102</u>	<u>28,489</u>
	39,917,530	-	2,672,426	37,245,104	2,667,962
Net pension liability	5,735,711	-	5,735,711	-	-
Net OPEB liability - Local Plan	2,094,892	-	41,714	2,053,178	-
Net OPEB liability - State Programs	678,867	-	206,697	472,170	-
Compensated absences	<u>656,135</u>	<u>792,611</u>	<u>745,983</u>	<u>702,763</u>	<u>70,276</u>
	<u>\$ 49,083,135</u>	<u>\$ 792,611</u>	<u>\$ 9,402,531</u>	<u>\$ 40,473,215</u>	<u>\$ 2,738,238</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

8. Long-Term Obligations (Continued)

Governmental activities (Continued)

	Balance July 1, 2021*	Increase	Decrease	Balance June 30, 2022	Amounts Due Within One Year
<i>Component Unit - Schools</i>					
Lease payable *	\$ 86,020	\$ -	\$ 42,430	\$ 43,590	\$ 43,590
Net pension liability	20,835,472	-	10,033,528	10,801,944	-
Net OPEB liability - Local Plan	217,671	-	18,769	198,902	-
Net OPEB liability - State Programs	2,911,234	-	399,398	2,511,836	-
Compensated absences	<u>431,963</u>	<u>711,599</u>	<u>724,177</u>	<u>419,385</u>	<u>41,939</u>
	<u>\$ 24,482,360</u>	<u>\$ 711,599</u>	<u>\$ 11,218,302</u>	<u>\$ 13,975,657</u>	<u>\$ 85,529</u>

*Balances have been restated for the inclusion of lease liabilities as a result of the implementation of GASB Statement No. 87.

The net pension liabilities, OPEB liabilities, and compensated absences are generally liquidated by the fund for which the employee works, such as for the governmental funds (the General Fund and Internal Service Fund) and for the enterprise funds (the Sewer Fund and the Solid Waste Fund).

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

General Obligation Bonds, Series 2016 - \$14,830,000 bonds issued and due in annual installments varying from \$40,000 to \$2,245,000 beginning February 2015 through February 2031, with interest payable semi-annually at rates from 2% to 5%.	\$ 11,435,000
General Obligation Bonds, Series 2018 - \$18,070,000 bonds issued and due in annual installments varying from \$100,000 to \$1,565,000 beginning February 2020 through February 2040, with interest payable semi-annually at rates from 3% to 5%.	17,745,000
General Obligation Refunding Bonds, Series 2020A - \$1,385,000 bonds issued and due in annual installments varying from \$41,000 to \$725,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	1,166,000
General Obligation Refunding Bonds, Series 2020B - \$1,434,000 bonds issued and due in annual installments varying from \$42,000 to \$752,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	1,207,000
General Obligation Bonds, Series 2021A - \$3,522,000 bonds issued and due in annual installments varying from \$169,915 to \$346,000 beginning June 2022 through February 2036, with interest payable semi-annually at rates from 3% to 5%.	<u>3,388,000</u>
	<u>\$ 34,941,000</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

8. Long-Term Obligations (Continued)

Governmental activities (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,406,000	1,199,651
2024	2,507,000	1,087,553
2025	2,623,000	970,606
2026	2,746,000	847,543
2027	2,867,000	725,956
2028 - 2032	9,287,000	2,598,382
2033 - 2037	7,950,000	1,447,781
2038 - 2040	<u>4,555,000</u>	<u>308,832</u>
	<u>\$ 34,941,000</u>	<u>\$ 9,186,304</u>

In December 2017, the City entered into a financing arrangement to purchase equipment, which was capitalized at a cost of \$167,000. At June 30, 2022, accumulated depreciation of this capital asset was \$75,150. The outstanding balance of this purchase was paid off during the year ended June 30, 2022. In July 2018, the City entered into a second financing arrangement to purchase four police vehicles, which were capitalized at a combined cost of \$161,336. The capitalized cost of the police vehicles included the amounts initially recorded at purchase, as well as costs to outfit the vehicles. At June 30, 2022, accumulated depreciation under these leases was \$112,935. The outstanding balance of this financed purchase was \$29,102 at June 30, 2022. Future minimum lease payments and present value of the minimum payments are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 28,489
2024	<u>613</u>
Total minimum payments	29,102
Less current portion	<u>(28,489)</u>
Long-term portion	<u>\$ 613</u>

Prior to 2022, the School Board entered into a lease agreement for the use of copiers. With the implementation of GASB 87, the School Board capitalized the value of this lease of \$86,020 as of July 1, 2021, which was equal to the value of future payments, discounted at a rate of 3.25%. At June 30, 2022, accumulated amortization of this right-of-use capital asset was \$43,010. During the year ended June 30, 2022, the Schools reported amortization and interest expense of \$43,010 and \$2,049, respectively, related to this lease. As of June 30, 2022, future payments of this lease consisted of \$44,361, which includes interest of \$771, and all of which is due in the fiscal year ending June 30, 2023.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

8. Long-Term Obligations (Continued)

Governmental activities (Continued)

Debt Limit

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. At June 30, 2022, the City's aggregate general obligation indebtedness was \$140,450,524 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, 2021	Increase	Decrease	Balance June 30, 2022	Amounts Due Within One Year
General obligation bonds	\$ 4,548,002	\$ -	\$ 606,002	\$ 3,942,000	\$ 636,000
Unamortized premium	<u>45,384</u>	<u>-</u>	<u>45,384</u>	<u>-</u>	<u>-</u>
	4,593,386	-	651,386	3,942,000	636,000
Net pension liability	213,022	-	213,022	-	-
Net OPEB liability - Local Plan	77,803	3,075	-	80,878	-
Net OPEB liability - State Programs	25,213	-	6,614	18,599	-
Compensated absences	<u>22,994</u>	<u>39,132</u>	<u>39,108</u>	<u>23,018</u>	<u>2,302</u>
	<u>\$ 4,932,418</u>	<u>\$ 42,207</u>	<u>\$ 910,130</u>	<u>\$ 4,064,495</u>	<u>\$ 638,302</u>

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

General Obligation Refunding Sewer Bonds, Series 2021B - \$3,983,000 bonds issued and due in annual installments varying from \$91,888 to \$687,671 through June 2028, with interest payable semi-annually at 3%. \$ 3,942,000

Estimated debt service on the general obligation bonds is payable as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 636,000	45,516
2024	645,000	39,011
2025	655,000	31,400
2026	664,000	23,671
2027	667,000	15,836
2028	<u>675,000</u>	<u>7,965</u>
	<u>\$ 3,942,000</u>	<u>\$ 164,399</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

8. Long-Term Obligations (Continued)

Business-type activities (Continued)

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. Due to Primary Government, Component Unit - EDA

As described in Notes 4 and 8 above, the City issued \$1,734,000 in general obligation bonds and then loaned the proceeds to the EDA to repay a former bank line of credit. The balance due from the EDA was \$1,647,904 at June 30, 2022. The EDA has agreed to pay interest and principal when due, and will pay a minimum of 50% of the proceeds of any sale of property towards principal until the debt is paid in full.

10. Conduit Debt Obligation

On September 12, 2005, the EDA issued \$5,000,000 YMCA Revenue Bonds to finance the acquisition and construction of the Peninsula Metropolitan YMCA (YMCA). On December 29, 2015, the EDA issued \$9,180,000 Beth Sholom Revenue and Refunding Bonds for the construction and equipping of a renovation project with Beth Sholom Life Care Community Campus owned by Beth Sholom. 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 and Beth Sholom, 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, 2022, the remaining outstanding balance of these bonds totaled \$9,059,421.

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.

Within the Governmental Funds restricted fund balance, the City has established a Fiscal Stability Reserve of \$1,000,000. The Fiscal Stability Reserve was established by City ordinance to accumulate a balance of \$1 million to be separate and above the unassigned fund balance policy of 12%. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures (i.e. hurricane or pandemic related). If the Fiscal Stability Reserve falls below the policy level, the City will adopt a plan as part of the following year's budget process to restore the balance within 24 months from the date of budget adoption.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

11. Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Nonspendable:					
EDA note receivable	\$ 1,647,904	\$ -	\$ -	\$ -	\$ 1,647,904
Restricted:					
Education	858,980	-	-	-	858,980
Asset forfeiture	4,525	-	-	-	4,525
Police - National Night Out	521	-	-	-	521
Police - Recruitment and retention	13,999	-	-	-	13,999
Police - Community engagement	116	-	-	-	116
4 For Life	7,840	-	-	-	7,840
Fire Fund	43,553	-	-	-	43,553
Library donations	15,744	-	-	-	15,744
Street lights	10,636	-	-	-	10,636
Wetland creation	29,004	-	-	-	29,004
CDBG program revenues	78,699	-	-	-	78,699
ARPA	-	-	-	169,592	169,592
Chesapeake Bay	1,745	-	-	-	1,745
Community center	18,445	-	-	-	18,445
Capital projects	-	-	4,508,406	-	4,508,406
Total restricted	<u>1,083,807</u>	<u>-</u>	<u>4,508,406</u>	<u>169,592</u>	<u>5,761,805</u>
Committed:					
Revenue stabilization	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Assigned:					
Health and welfare	1,537	-	-	-	1,537
General government and administration	21,843	-	-	-	21,843
Parks, recreational and cultural	19,089	-	-	-	19,089
Public safety and judicial	76,104	-	-	-	76,104
Public works	80,505	-	-	-	80,505
Debt service	-	28,760	-	-	28,760
Capital projects	-	-	2,141,983	-	2,141,983
Subsequent year budget transfers:					
Capital Projects Fund	67,000	-	-	-	67,000
OPEB Trust Fund	100,000	-	-	-	100,000
EDA Fund	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Total assigned	<u>387,078</u>	<u>28,760</u>	<u>2,141,983</u>	<u>-</u>	<u>2,557,821</u>
Unassigned	<u>8,637,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,637,298</u>
Total fund balances	<u>\$ 12,756,087</u>	<u>\$ 28,760</u>	<u>\$ 6,650,389</u>	<u>\$ 169,592</u>	<u>\$ 19,604,828</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

12. Contingency

Grants

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

Surety bonds

The City maintained the following surety bond coverage on certain employees of the Primary Government and component unit during the fiscal year ended June 30, 2022:

Description	Amount
Virginia Municipal Liability Pool - all City employees	
Employee Dishonesty Blanket Bond	\$ 1,000,000
Virginia Municipal Liability Pool	
Dustie McCay, Clerk of the School Board	10,000
Christine Hill, Deputy Clerk of the School Board	10,000
All School Board Employees, Blanket Bond	200,000

The Commonwealth of Virginia maintained the following surety bond and blanket bond coverage on certain employees pursuant to § 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.

Description	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
Commissioner of the Revenue	3,000

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. 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 pool 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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

12. Contingency (Continued)

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. At June 30, 2022, the City's General Fund had outstanding encumbrances of \$199,078 and the Component Unit - Schools' General Fund had outstanding encumbrances of \$573,014.

13. Interfund Transfers

Interfund transfers for the year ended June 30, 2022, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 513,000	\$ 5,735,555
Debt Service Fund	3,795,000	1,299,000
Capital Projects Fund	2,922,167	50,000
Sewer Operations Fund	-	200,000
Solid Waste Fund	-	50,000
	<u>\$ 7,230,167</u>	<u>\$ 7,334,555</u>

Purpose:

\$ 3,795,000	From General Fund to Debt Service Fund for current year debt payments.
\$ 213,000	From Debt Service Fund to General Fund for debt service payments.
\$ 1,836,167	From General Fund to Capital Projects Fund to fund capital projects.
\$ 1,086,000	From Debt Service Fund to Capital Projects Fund to fund capital projects.
\$ 200,000	From Sewer Operations Fund to General Fund to finance general government expenditures.
\$ 50,000	From Solid Waste Fund to General Fund to finance general government expenditures.
\$ 50,000	From Capital Projects Fund to General Fund to finance general government expenditures.

14. 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), and Colonial Behavioral Health (CBH). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2022, the City provided support or paid for services to HRPDC of \$23,826, VPPSA of \$486,471, PCWD of \$5,847, and CBH of \$190,000.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

14. Related Party Transactions (Continued)

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2022, the City incurred expenses for the regional jail and juvenile detention center of \$261,120 and \$28,704, respectively.

The City also participates in a regional animal shelter, Newport News Animal Services, and regional animal control services, Newport News Animal Control, with several other localities. The City paid \$78,498 for its share in fiscal year 2022.

The City shares certain services and their associated costs with York County, including the Circuit Court, Commonwealth's Attorney, Sheriff of York County, and E-911 operations. The City also shares social services with York County. During the year ended June 30, 2022, the City paid \$1,116,857 to York County for these shared services.

The City shares Hampton Steam Plant services and their associated costs with Hampton. During the year ended June 30, 2022, the City paid \$89,123 to Hampton for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2022, the Schools provided support of \$630,204 to the New Horizons Education Center.

15. Defined Benefit Pension Plans

Plan descriptions

All full-time, salaried permanent employees of the City and all salaried permanent non-professional employees of the School Board are automatically covered by the VRS Political Subdivision Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The VRS Political Subdivision Retirement Plan is a multiple-employer, agent plan. The VRS Teacher Retirement Plan is a multiple-employer, cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2020, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	80	29
Inactive members:		
Vested	20	10
Non-vested	35	6
Active elsewhere in VRS	41	6
Total inactive members	96	22
Active members	127	26
Total	303	77

Contributions

The contributions requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The employer actuarially determined contribution rates, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Political Subdivision Plan - City and School Board Non-Professional

The City and School Board's non-professional contractually required contribution rates for the year ended June 30, 2022, were 13.55% and 9.57%, respectively, of covered employee compensation. Contributions to the pension plan from the City and School Board were \$912,520 and \$45,713, respectively, for the year ended June 30, 2022.

Teacher Plan - School Board Professional

Each school division's contractually required contribution rate for the year ended June 30, 2022, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. Contributions to the pension plan from the School Board were \$1,991,242 for the year ended June 30, 2022.

Teacher Plan - School Board Professional (continued)

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Net pension liability (asset)

Political Subdivision Plan - City and School Board Non-Professional

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability (asset) was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Teacher Plan - School Board Professional

At June 30, 2022, School Board reported a liability of \$10,711,522 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the net pension liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.13798% as compared to 0.14042% at June 30, 2020.

Actuarial assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan, and for teachers the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50% - 5.35%
Public Safety Employees with hazardous duty benefits - Salary increases, including inflation	3.50% - 4.75%
Teacher Cost Sharing Plan - Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates: General employees - 15 to 20% of deaths are assumed to be service related. Public Safety Employees - 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Morality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Actuarial assumptions (continued)

General Employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees - Largest 10 - Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; adjusted rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

Long-term expected rate of return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		4.89%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

*The above allocation provides for a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability (asset) - City Pension Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	<u>\$ 38,147,785</u>	<u>\$ 32,199,052</u>	<u>\$ 5,948,733</u>
Changes for the year:			
Service cost	923,895	-	923,895
Interest	2,514,455	-	2,514,455
Changes of assumptions	1,487,323	-	1,487,323
Difference between expected and actual experience	(1,825,063)	-	(1,825,063)
Contributions - employer	-	872,454	(872,454)
Contributions - employee	-	321,366	(321,366)
Net investment income	-	8,775,477	(8,775,477)
Benefit payments, including refunds of employee contributions	(1,793,189)	(1,793,189)	-
Administrative expense	-	(21,817)	21,817
Other changes	-	829	(829)
Net changes	<u>1,307,421</u>	<u>8,155,120</u>	<u>(6,847,699)</u>
Balances at June 30, 2021	<u>\$ 39,455,206</u>	<u>\$ 40,354,172</u>	<u>\$ (898,966)</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Changes in net pension liability - Component Unit School Board Non-Professional Plan

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 2,522,192	\$ 2,121,518	\$ 400,674
Changes for the year:			
Service cost	47,553	-	47,553
Interest	164,808	-	164,808
Change of assumptions	88,678	-	88,678
Difference between expected and actual experience	21,327	-	21,327
Contributions - employer	-	43,124	(43,124)
Contributions - employee	-	22,931	(22,931)
Net investment income	-	567,975	(567,975)
Benefit payments, including refunds of employee contributions	(161,184)	(161,184)	-
Administrative expense	-	(1,465)	1,465
Other changes	-	53	(53)
Net changes	161,182	471,434	(310,252)
Balances at June 30, 2021	\$ 2,683,374	\$ 2,592,952	\$ 90,422

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
City's net pension liability (asset)	\$ 4,206,160	\$ (898,966)	\$ (5,126,654)
Component Unit School Board:			
Non-Professional Plan's net pension liability (asset)	\$ 355,628	\$ 90,422	\$ (134,674)
Teacher Plan's net pension liability	\$ 20,672,657	\$ 10,711,522	\$ 2,517,158

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense recognized for the year ended June 30, 2022, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2022, were as follows:

		Component Unit Schools	
	Primary Government	Agent Multiple Employer Plan	Teachers' Cost- Sharing Plan
Pension expense (recovery)	\$ 353,409	\$ 44,714	\$ (24,035)
Deferred outflows:			
Change of assumptions	\$ 1,229,103	\$ 49,954	\$ 1,876,631
Difference between expected and actual experience	611,512	15,475	-
Difference between change in proportionate share of contributions	-	-	11,998
Employer contributions subsequent to the measurement date	<u>912,520</u>	<u>45,713</u>	<u>1,991,242</u>
Total deferred outflows	<u>\$ 2,753,135</u>	<u>\$ 111,142</u>	<u>\$ 3,879,871</u>
Deferred inflows:			
Net difference between projected and actual earnings on pension plan investments	\$ 4,359,773	\$ 279,612	\$ 6,750,114
Difference between expected and actual experience	1,326,412	-	912,344
Difference between change in proportionate share of contributions	<u>-</u>	<u>-</u>	<u>581,246</u>
Total deferred inflows	<u>\$ 5,686,185</u>	<u>\$ 279,612</u>	<u>\$ 8,243,704</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of (increase to) the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (reduction) to pension expense as follows:

Year Ended June 30,	Primary Government	Discretely Presented Component Unit School Board
2023	\$ (574,369)	\$ (1,552,363)
2024	(869,066)	(1,426,777)
2025	(1,077,541)	(1,537,383)
2026	(1,324,594)	(2,053,921)
2027	-	1,186

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

15. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	<u>45,617,878</u>
Employers' Net Pension Liability (Asset)	<u>\$ 7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

16. Postemployment Benefits Other Than Pensions (OPEB)

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City and School Board also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Plan descriptions (Continued)

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at
<https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of June 30, 2020, actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>City</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	36	16
Inactive members:		
Vested	1	-
Non-vested	-	-
Active elsewhere in VRS	-	-
Total inactive members	37	16
Active members	118	26
	<u>155</u>	<u>42</u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2020 (General Employee HIC Program) and June 30, 2019 (GLI, Teacher HIC). The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Contributions (Continued)

Group Life Insurance Program

Governed by: *Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.

Total rate: 1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.

Contributions:

Year Ended June 30, 2022	
Primary Government	\$ 37,790
Component Unit - School Board	\$ 69,333
Year Ended June 30, 2021	
Primary Government	\$ 35,178
Component Unit - School Board	\$ 67,765

Teacher Health Insurance Credit Program

Governed by: *Code of Virginia* 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.

Total rate: 1.21% of covered employee compensation.

June 30, 2022 Contribution	\$ 149,045
June 30, 2021 Contribution	\$ 145,596

General Employment Health Insurance Credit Program

Governed by: *Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.

Total rate:

Primary Government	0.27% of covered employee compensation
Component Unit -School Board	1.05% of covered employee compensation

Contributions:

Year Ended June 30, 2022	
Primary Government	\$ 17,402
Component Unit - School Board	\$ 5,477
Year Ended June 30, 2021	
Primary Government	\$ 16,885
Component Unit - School Board	\$ 5,422

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liabilities were measured as of June 30, 2021, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program - Primary Government

June 30, 2022 proportionate share of liability	\$ 373,031
June 30, 2021 proportion	0.03204%
June 30, 2020 proportion	0.03278%
June 30, 2022 expense	\$ 15,496

Group Life Insurance Program - Component Unit School Board

June 30, 2022 proportionate share of liability	\$ 707,645
June 30, 2021 proportion	0.06078%
June 30, 2020 proportion	0.06200%
June 30, 2022 expense	\$ 18,463

Teacher Health Insurance Credit Program

June 30, 2022 proportionate share of liability	\$ 1,746,424
June 30, 2021 proportion	0.13606%
June 30, 2020 proportion	0.13901%
June 30, 2022 expense	\$ 123,746

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

General Employee Health Insurance Credit Program - Primary Government

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 313,417	\$ 156,382	\$ 157,035
Changes for the year:			
Service cost	6,950	-	6,950
Interest	20,550	-	20,550
Change in assumptions	6,168	-	6,168
Difference between expected and actual experience	(16,211)	-	(16,211)
Contributions - employer	-	16,546	(16,546)
Contributions - employee	-	-	-
Net investment income	-	40,690	(40,690)
Benefit payments	(17,950)	(17,950)	-
Administrative expenses	-	(482)	482
Net changes	(493)	38,804	(39,297)
Balances at June 30, 2021	\$ 312,924	\$ 195,186	\$ 117,738

In addition, for the year ended June 30, 2022, the City recognized OPEB expense of \$11,295 related to the General Employee Health Insurance Credit Program.

General Employee Health Insurance Credit Program - Component Unit School Board

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 71,536	\$ 8,390	\$ 63,146
Changes for the year:			
Service cost	1,253	-	1,253
Interest	4,606	-	4,606
Change in assumptions	1,630	-	1,630
Difference between expected and actual experience	(5,524)	-	(5,524)
Contributions - employer	-	5,422	(5,422)
Contributions - employee	-	-	-
Net investment income	-	1,943	(1,943)
Benefit payments	(6,604)	(6,604)	-
Administrative expenses	-	(21)	21
Net changes	(4,639)	740	(5,379)
Balances at June 30, 2021	\$ 66,897	\$ 9,130	\$ 57,767

In addition, for the year ended June 30, 2022, the School's recognized OPEB expense of \$4,905 related to the Non-teacher Health Insurance Credit Program.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program - Primary Government

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,304	\$ 2,842
Change in assumptions	20,565	51,039
Net difference between projected and actual earnings on OPEB plan investments	-	89,035
Changes in proportion	5,662	11,521
Employer contributions subsequent to the measurement date	<u>37,790</u>	<u>-</u>
	<u><u>\$ 106,321</u></u>	<u><u>\$ 154,437</u></u>

Group Life Insurance Program - Component Unit School Board

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 80,710	\$ 5,392
Change in assumptions	39,013	96,820
Net difference between projected and actual earnings on OPEB plan investments	-	168,899
Changes in proportion	1,495	39,843
Employer contributions subsequent to the measurement date	<u>69,333</u>	<u>-</u>
	<u><u>\$ 190,551</u></u>	<u><u>\$ 310,954</u></u>

General Employee Health Insurance Credit Program -Primary Government

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,388	\$ 20,850
Change in assumptions	9,064	2,641
Net difference between projected and actual earnings on OPEB plan investments	-	19,480
Employer contributions subsequent to the measurement date	<u>17,402</u>	<u>-</u>
	<u><u>\$ 36,854</u></u>	<u><u>\$ 42,971</u></u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

General Employee Health Insurance Credit Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,254	\$ 4,476
Change in assumptions	1,491	-
Net difference between projected and actual earnings on OPEB plan investments	-	835
Employer contributions subsequent to the measurement date	<u>5,477</u>	<u>-</u>
	<u><u>\$ 8,222</u></u>	<u><u>\$ 5,311</u></u>

Teacher Health Insurance Credit Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 30,475
Change in assumptions	47,209	7,019
Net difference between projected and actual earnings on OPEB plan investments	-	23,006
Changes in proportionate share	-	81,344
Employer contributions subsequent to the measurement date	<u>149,045</u>	<u>-</u>
	<u><u>\$ 196,254</u></u>	<u><u>\$ 141,844</u></u>

The deferred outflows of resources related to OPEB resulting from the City and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program - Primary Government

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2023	\$ (18,163)
2024	(15,508)
2025	(16,188)
2026	(28,926)
2027	(7,121)
Thereafter	-

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

Group Life Insurance Program - Component Unit School Board

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2023	\$ (45,390)
2024	(37,907)
2025	(35,327)
2026	(57,803)
2027	(13,309)
Thereafter	-

General Employee Health Insurance Credit Program - Primary Government

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2023	\$ (5,045)
2024	(4,203)
2025	(3,344)
2026	(7,916)
2027	(1,952)
Thereafter	(1,059)

General Employee Health Insurance Credit Program - Component Unit School Board

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2023	\$ (458)
2024	(617)
2025	(1,160)
2026	(331)
2027	-
Thereafter	-

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

Teacher Health Insurance Credit Program - Component Unit School Board

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2023	\$ (20,623)
2024	(20,885)
2025	(20,089)
2026	(17,770)
2027	(8,379)
Thereafter	(6,889)

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50%
Salary increases, including inflation:	
Locality- general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Teachers	3.50 - 5.95%
Healthcare cost trend rates:	
Under age 65	7.00 - 4.75%
Ages 65 and older	5.375 - 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 15.

Net OPEB liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Health Insurance Credit Program
Total OPEB Liability	\$ 3,577,346	\$ 1,477,874
Plan fiduciary net position	\$ 2,413,074	\$ 194,305
Employers' net OPEB liability	\$ 1,164,272	\$ 1,283,569
Plan fiduciary net position as a percentage of total OPEB liability	67.45%	13.15%

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Net OPEB liabilities (Continued)

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-term expected rate of return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21 %
	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u><u>7.39%</u></u>

*The above allocation provides for a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

16. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Discount rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liabilities of the City and School Board, as well as what the net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
GLI net OPEB liability:			
Primary Government	\$ 545,014	\$ 373,031	\$ 234,150
Component Unit School Board	\$ 1,033,894	\$ 707,645	\$ 444,183
General Employee net HIC OPEB liability:			
Primary Government	\$ 151,381	\$ 117,738	\$ 89,177
Component Unit School Board	\$ 63,569	\$ 57,767	\$ 52,733
Teacher net HIC OPEB liability	\$ 1,965,990	\$ 1,746,424	\$ 1,560,620

OPEB plan fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

17. Other Postemployment Benefits Liability - Local Plan

Plan description

The City and Schools administer a single-employer defined benefit postemployment healthcare 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 five years) equal to 70. For the Schools, no assets are accumulated in a trust that meets U.S. GAAP criteria. In accordance with Article 8, Chapter 15, Title 15.2 of the *Code of Virginia*, the City has elected to establish a pooled trust for the purpose of accumulating and investing assets to fund other postemployment benefits. The City, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund (Trust Fund), an irrevocable trust, with the purpose to fund other postemployment benefits. The Trust Fund issues separate financial statements, which can be obtained by requesting a copy from the Plan Administrator, VML/VACo Finance, 8 E. Canal Street, Richmond, Virginia 23219.

Benefits provided

City Plan

The City provides postemployment healthcare benefits, in accordance with City policy, to all employees that terminate employment from the City, retire with at least five years of service, retire after having attained at least age 50, and retire having a combination of age and service equal to 70. Postemployment healthcare coverage in the active employee plans is available to both retirees and their spouses until they become eligible for Medicare. Coverage is provided to either the retiree or their spouse after they attain Medicare eligibility through a Medicare supplement plan on a retiree-pay-all basis. Coverage to spouses, both before and after attaining Medicare eligibility, ceases upon the death of the retiree.

Schools' Plan

The Schools provides postemployment healthcare benefits, in accordance with Schools policy, to all employees that terminate employment from the School division, retire with at least five years of service, retire after having attained at least age 50, and retire having a combination of age and service equal to 70. Postretirement healthcare coverage in the active employee plans is available to both retirees and their spouses until they become eligible for Medicare. Coverage is provided to either the retiree or their spouse after they attain Medicare eligibility through a Medicare supplement plan on a retiree-pay-all basis. Coverage to spouses, both before and after attaining Medicare eligibility, ceases upon the death of the retiree.

Employees covered by benefit terms

Participant data as of the June 30, 2022, valuation date is as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Active participants	108	176
Retiree participants and spouses	<u>15</u>	<u>6</u>
	<u>123</u>	<u>182</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Contributions

The City Council and the Schools have the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous healthcare coverage and the healthcare option selected by the retirees. The required employer contributions are financed based on a pay-as-you-go basis. In addition to ensuring current benefits are financed by current contributions, the City provides for funding to be made to the Virginia Pooled OPEB Trust as described in Note 2. The actuarially determined contribution for the City and Schools at June 30, 2022, was \$104,388 and \$15,793, respectively.

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return*	6.0%
Inflation	2.3%
Growth in Real Income	1.25%
Healthcare cost trend rates	1.10%
Expected Health Share of GDP in 2030	19.50%
Retirees' share of benefit-related costs	25%

*City only. The long-term expected rate of return on OPEB plan investments was determined based on targeted rates of return under the Virginia Pooled OPEB Trust Fund as adopted by their board.

General mortality rates:

- Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Teacher mortality Rates:

- Pre-Retirement: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement: Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Hazardous mortality Rates:

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study undertaken on behalf of VRS for the four-year period ending June 30, 2020.

Discount rate

The discount rate used to measure the net OPEB liability was 3.54% based on yields for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate used in the current valuation is based on the 20-Bond GO index published by Bond Buyer as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in total retiree health insurance OPEB liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<u>Primary government</u>			
Balances at June 30, 2021	\$ 2,433,295	\$ 260,600	\$ 2,172,695
Changes for the year:			
Service cost	89,285	-	89,285
Interest	47,956	-	47,956
Differences between expected and actual experience	301,801	-	301,801
Assumption changes	(400,310)	-	(400,310)
Contributions - employer	-	104,388	(104,388)
Contributions - employee	-	93,491	(93,491)
Benefit payments	(71,018)	(164,509)	93,491
Net investment income	-	(27,017)	27,017
Net changes	(32,286)	6,353	(38,639)
Balances at June 30, 2022	\$ 2,401,009	\$ 266,953	\$ 2,134,056

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Discretely presented Component Unit - School Board

Changes in the total OPEB liability

Balance at June 30, 2021	\$ 217,671
Changes for the year:	
Service cost	15,793
Interest	4,482
Benefit changes	-
Differences between expected and actual experience	40,275
Assumption or other input changes	(30,664)
Benefit payments	<u>(48,655)</u>
Net changes	<u>(18,769)</u>
Balance at June 30, 2022	<u>\$ 198,902</u>

Sensitivity of the retiree health insurance OPEB liability to changes in the discount rate

The following presents the City's and School Board's retiree health insurance OPEB liability using the discount rate of 3.54%, as well as what the City and School Board's retiree health insurance OPEB liability would be if it were calculated using a discount rate that is one percentage lower (2.54%) or one percentage higher (4.54%) than the current rate:

	1% Decrease <u>2.54%</u>	Discount Rate <u>3.54%</u>	1% Increase <u>4.54%</u>
City's net retiree health insurance OPEB liability	\$ <u>2,371,213</u>	\$ <u>2,134,056</u>	\$ <u>1,921,924</u>
School Board's total retiree health insurance OPEB liability (asset)	\$ <u>13,622</u>	\$ <u>198,902</u>	\$ <u>(12,744)</u>

Sensitivity of the retiree health insurance OPEB liability to changes in the healthcare cost trend rate

The following represents the City's and School Board's retiree health insurance OPEB liability using the healthcare trend rate of 5.90% decreasing to 3.58%, as well as what the City and School Board's total retiree health insurance OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage lower (4.90%) or one percentage higher (6.90%) than the current rate:

	1% Decrease <u>4.90%</u>	Healthcare Rate <u>5.90%</u>	1% Increase <u>6.90%</u>
City's net retiree health insurance OPEB liability	\$ <u>1,884,166</u>	\$ <u>2,134,056</u>	\$ <u>2,425,340</u>
School Board's total retiree health insurance OPEB liability (asset)	\$ <u>(17,183)</u>	\$ <u>198,902</u>	\$ <u>19,868</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Retiree health insurance OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2022, the City and School Board recognized retiree health insurance OPEB expense of \$227,154 and \$49,205, respectively. At June 30, 2022, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the retiree health insurance OPEB program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City		
Differences between expected and actual experience	\$ 430,632	\$ -
Change in assumptions	171,143	385,336
Net differences between projected and actual earnings	<u>37,616</u>	<u>11,422</u>
	<u><u>\$ 639,391</u></u>	<u><u>\$ 396,758</u></u>
 School Board		
Differences between expected and actual experience	\$ 145,632	\$ -
Change in assumptions	<u>3,747</u>	<u>45,912</u>
	<u><u>\$ 149,379</u></u>	<u><u>\$ 45,912</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (reduction) to OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>City</u>	<u>School Board</u>
2023	\$ 107,192	\$ 28,930
2024	58,530	28,930
2025	47,501	25,765
2026	44,579	17,446
2027	(15,169)	2,396

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

18. OPEB Summary

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total City</u>	<u>School Board</u>
Net OPEB liability:				
Local Plan	\$ 2,053,178	\$ 80,878	\$ 2,134,056	\$ 198,902
Group Life Insurance Program	358,894	14,137	373,031	707,645
Health Insurance Credit Program	113,276	4,462	117,738	57,767
Teacher Health Insurance Credit Program	-	-	-	1,746,424
Total net OPEB liability	<u>\$ 2,525,348</u>	<u>\$ 99,477</u>	<u>\$ 2,624,825</u>	<u>\$ 2,710,738</u>
OPEB expense:				
Local Plan	\$ 218,545	\$ 8,609	\$ 227,154	\$ 49,205
Group Life Insurance Program	14,909	587	15,496	18,463
Health Insurance Credit Program	10,867	428	11,295	4,905
Teacher Health Insurance Credit Program	-	-	-	123,746
Total OPEB expense	<u>\$ 244,321</u>	<u>\$ 9,624</u>	<u>\$ 253,945</u>	<u>\$ 196,319</u>
Deferred outflows:				
Local Plan	\$ 615,159	\$ 24,232	\$ 639,391	\$ 149,379
Group Life Insurance Program	102,404	3,917	106,321	190,551
Health Insurance Credit Program	35,448	1,406	36,854	8,222
Teacher Health Insurance Credit Program	-	-	-	196,254
Total deferred outflows	<u>\$ 753,011</u>	<u>\$ 29,555</u>	<u>\$ 782,566</u>	<u>\$ 544,406</u>
Deferred inflows:				
Local Plan	\$ 381,721	\$ 15,037	\$ 396,758	\$ 45,912
Group Life Insurance Program	148,584	5,853	154,437	310,954
Health Insurance Credit Program	41,342	1,629	42,971	5,311
Teacher Health Insurance Credit Program	-	-	-	141,844
Total deferred inflows	<u>\$ 571,647</u>	<u>\$ 22,519</u>	<u>\$ 594,166</u>	<u>\$ 504,021</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

19. Leases

City as Lessor

The City, as a lessor, has entered into three agreements for the lease of real property to be used by the lessees as sites for communications towers/equipment. During the year ended June 30, 2022, the City recognized lease and interest revenue of \$71,266 and \$56,281, respectively, related to these leases. The leases are as follows:

1. An initial lease receivable was recorded in the amount of \$432,987. As of June 30, 2022, the value of the lease receivable is \$427,054. The lessee is required to make an annual payment of \$19,008 in 2023 with the payment increasing by 20% for 2024 and subsequently increasing 20% every five years thereafter through 2043. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2022, was \$429,860, and the City recognized lease revenue of \$20,552 during the year.
2. An initial lease receivable was recorded in the amount of \$489,156. As of June 30, 2022, the value of the lease receivable is \$471,074. The lessee is required to make annual payments of \$20,736 through 2024 with the payment increasing by 20% for 2025 and subsequently increasing 20% every five years thereafter through 2044. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2022, was \$467,089, and the City recognized lease revenue of \$22,067 during the year.
3. An initial lease receivable was recorded in the amount of \$816,448. As of June 30, 2022, the value of the lease receivable is \$812,592. The lessee is required to make monthly payments of \$2,566 through December 2022 with the payments increasing by 3% annually through 2049. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2022, was \$787,802, and the City recognized lease revenue of \$28,647 during the year.

The future payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2023	\$ 18,825	\$ 55,968	\$ 74,793
2024	24,545	55,333	79,878
2025	26,335	54,509	80,844
2026	28,213	53,626	81,839
2027	30,183	52,680	82,863
2028-2032	229,262	244,241	473,503
2033-2037	362,802	197,569	560,371
2038-2042	537,149	126,216	663,365
2043-2047	293,288	49,344	342,632
2048-2052	<u>160,118</u>	<u>6,889</u>	<u>167,007</u>
Total future payments	<u>\$ 1,710,720</u>	<u>\$ 896,375</u>	<u>\$ 2,607,095</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

20. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Government’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2020.

The City of Poquoson, Virginia was awarded funding from the Federal American Rescue Plan (ARPA) for a total of \$14,573,490. \$7,108,132 was awarded in June 2021 and the remaining amount of \$7,465,358 is included in unearned revenue as of June 30, 2022.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Government’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Government is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

21. Subsequent Events

In July 2022, the second portion of the Federal American Rescue Plan (ARPA) money was awarded to the City in the amount of \$7,465,358. Additionally, on September 30, 2022, the City issued \$4 million in general obligation bonds bearing 3.53% interest related to the public safety facility. Lastly, the Economic Development Authority transferred three parcels of land located on City Hall Avenue to the City for the public safety facility.

22. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

22. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Revenue from local sources				
General property taxes:				
Real property taxes	\$ 19,340,700	\$ 19,340,700	\$ 19,523,951	\$ 183,251
Public service corporation property taxes	242,000	242,000	270,921	28,921
Personal property	2,974,000	3,204,000	3,839,171	635,171
Penalties and interest	143,000	143,000	158,890	15,890
Total general property taxes	22,699,700	22,929,700	23,792,933	863,233
Other local taxes:				
Sales and use taxes	1,305,000	1,339,000	1,332,355	(6,645)
Meals taxes	740,000	740,000	948,641	208,641
Cigarette taxes	65,000	65,000	69,293	4,293
Consumers' utility taxes	305,000	305,000	322,314	17,314
Consumption tax	40,000	40,000	40,399	399
Business license taxes	405,000	405,000	488,190	83,190
Bank stock taxes	40,000	40,000	18,887	(21,113)
Recordation and wills taxes	167,000	167,000	304,821	137,821
Deeds of conveyance	51,000	51,000	86,306	35,306
Total other local taxes	3,118,000	3,152,000	3,611,206	459,206
Permits, privilege fees and regulatory licenses:				
Animal license	1,000	1,000	1,045	45
Permits and other licenses	136,000	136,000	403,702	267,702
Total permits, privilege fees, and and regulatory licenses	137,000	137,000	404,747	267,747
Fines and forfeitures	42,000	42,000	28,173	(13,827)
Revenue from use of money and property:				
Revenue from use of money	100,000	100,000	(148,243)	(248,243)
Revenue from use of property	166,300	166,300	235,846	69,546
Total revenue from use of money and property	266,300	266,300	87,603	(178,697)
Charges for services:				
Charges for copying	6,000	6,000	3,969	(2,031)
Charges for passport processing	55,000	55,000	50,636	(4,364)
Charges for library and fees	10,600	10,600	11,230	630
EMS revenue recovery	360,000	360,000	359,177	(823)
Charges for parks and recreation programs	133,600	133,600	126,922	(6,678)
Charges for pool	63,600	63,600	90,031	26,431
Charges for events	145,800	145,800	-	(145,800)
Total charges for services	774,600	774,600	641,965	(132,635)

(Continued)

See Notes to Required Supplementary Information and Independent Auditor's Report.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES (Continued)				
Miscellaneous revenues:				
Miscellaneous	\$ -	\$ -	\$ 21,442	\$ 21,442
Donations:				
Library	-	10,208	10,338	130
Police	-	100	550	450
Total miscellaneous revenues	-	10,308	32,330	22,022
Intergovernmental:				
Revenues from the Commonwealth:				
Noncategorical aid:				
DMV reimbursement	120,000	120,000	138,498	18,498
Gaming fee	0	0	2,412	2,412
Mobile home titling taxes	12,000	12,000	18,398	6,398
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
Total noncategorical aid	2,055,435	2,055,435	2,082,739	27,304
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	106,704	120,361	134,082	13,721
Treasurer	107,913	107,913	121,628	13,715
Registrar/electoral board	45,000	75,135	63,641	(11,494)
Total categorical aid	259,617	303,409	319,351	15,942
Other categorical aid:				
State 599 police funds	259,359	259,359	259,380	21
Fire and EMS	69,500	79,082	57,459	(21,623)
Department of Emergency Services	20,500	20,500	10,297	(10,203)
Street and highway maintenance	915,000	915,000	915,000	-
Litter control	4,500	7,981	7,981	-
Library	157,389	187,496	173,639	(13,857)
Comprehensive Services Act	252,000	252,000	155,925	(96,075)
State drug seizure	-	1,023	1,023	-
Other state grants	45,000	45,000	72,604	27,604
Total other categorical aid	1,723,248	1,767,441	1,653,308	(114,133)
Total categorical aid	1,982,865	2,070,850	1,972,659	(98,191)
Total revenues from the Commonwealth	4,038,300	4,126,285	4,055,398	(70,887)
Revenues from the federal government:				
Federal Grants	14,100	26,062	54,266	28,204

(Continued)

See Notes to Required Supplementary Information and Independent Auditor's Report.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES (Continued)				
Other financing sources:				
Transfer from Debt Service Fund	\$ 213,000	\$ 213,000	\$ 213,000	\$ -
Transfer from Capital Projects Fund	-	50,000	50,000	-
Transfer from Sewer Fund	200,000	200,000	200,000	-
Transfer from Solid Waste Fund	50,000	50,000	50,000	-
Use of fund balance	296,000	2,240,628	-	(2,240,628)
Total other financing sources	759,000	2,753,628	513,000	(2,240,628)
Total revenues and other financing sources	31,849,000	34,217,883	33,221,621	(996,262)
EXPENDITURES AND OTHER FINANCING USES				
General government administration:				
Legislative - City Council	81,291	84,360	84,364	(4)
General and financial administration:				
City Manager	536,235	533,166	496,169	36,997
Legal services	120,655	120,655	104,202	16,453
Independent auditor	52,000	52,000	43,337	8,663
Commissioner of the Revenue	367,379	381,036	380,667	369
Assessor/equalization board	244,482	294,482	280,333	14,149
Treasurer	355,599	355,599	342,632	12,967
Finance	616,031	616,031	539,629	76,402
Technology	124,000	103,208	78,386	24,822
Risk management	111,683	263,281	224,473	38,808
Total general and financial administration	2,528,064	2,719,458	2,489,828	229,630
Board of Elections -				
Electoral Board and Registrar	197,480	248,407	224,339	24,068
Total general government administration	2,806,835	3,052,225	2,798,531	253,694
Judicial administration:				
Courts	299,826	299,826	299,597	229
Sheriff	230,000	230,000	230,000	-
Total judicial administration	529,826	529,826	529,597	229
Public safety:				
Law enforcement and traffic control -				
police department	3,388,507	3,422,172	3,336,455	85,717
Fire and rescue services - fire department	3,795,080	3,847,771	3,773,976	73,795
Correction and detention - regional				
operated institutions	302,294	314,384	314,384	-
Inspections - various	285,329	308,874	310,237	(1,363)
Other protection - animal control	78,497	78,497	78,498	(1)
Total public safety	7,849,707	7,971,698	7,813,550	158,148

(Continued)

See Notes to Required Supplementary Information and Independent Auditor's Report.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
EXPENDITURES AND OTHER FINANCING USES (Continued)				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 231,759	\$ 231,759	\$ 230,138	\$ 1,621
Highways, streets, bridges, and sidewalks	1,760,377	1,711,582	1,543,793	167,789
Street lights	84,000	97,000	133,134	(36,134)
Total maintenance of highways, streets, bridges, and sidewalks	2,076,136	2,040,341	1,907,065	133,276
Maintenance of general buildings and grounds	185,500	244,750	238,483	6,267
Total public works	2,261,636	2,285,091	2,145,548	139,543
Health and welfare:				
Health:				
Local health department	41,171	48,728	48,728	-
Mosquito control	293,761	293,761	282,981	10,780
Total health	334,932	342,489	331,709	10,780
Mental health and mental retardation - mental health	190,000	190,000	190,000	-
Welfare:				
Social Services	317,294	309,737	264,355	45,382
Children Services Act	350,000	350,000	206,000	144,000
Total welfare	667,294	659,737	470,355	189,382
Total health and welfare	1,192,226	1,192,226	992,064	200,162
Education - Schools	10,442,429	10,760,701	9,879,994	880,707
Parks, recreation, and cultural:				
Supervision of parks and recreation	545,739	534,039	473,497	60,542
Pool operations	150,256	167,956	172,366	(4,410)
Seafood Festival events	242,150	256,150	109,111	147,039
Library - administration	975,396	1,025,613	946,768	78,845
Total parks, recreation, and cultural	1,913,541	1,983,758	1,701,742	282,016
Community development:				
Planning	382,712	382,712	363,739	18,973
Economic development	113,156	113,156	101,546	11,610
Community development	130,303	121,694	118,623	3,071
Total parks, recreation, and cultural	626,171	617,562	583,908	33,654

(Continued)

See Notes to Required Supplementary Information and Independent Auditor's Report.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
EXPENDITURES AND OTHER FINANCING USES (Continued)				
Nondepartmental:				
Nondepartmental - miscellaneous	\$ 24,204	\$ 24,204	\$ 20,704	\$ 3,500
Department of Motor Vehicles Select	148,425	148,425	145,833	2,592
Total nondepartmental	172,629	172,629	166,537	6,092
Economic Development Authority	21,000	21,000	21,000	-
Other financing uses:				
Transfers to Debt Service Fund	3,795,000	3,795,000	3,795,000	-
Transfers to Capital Projects Fund	238,000	1,836,167	1,836,167	-
Total other financing uses	4,033,000	5,631,167	5,631,167	-
Total expenditures and other financing uses	31,849,000	34,217,883	32,263,638	1,954,245
Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	957,983	<u>\$ 957,983</u>
Less encumbrances beginning of year, actually expended as of end of year			(95,725)	
Add encumbrances outstanding end of year			<u>199,077</u>	
Excess of revenues and other financing sources over expenditures and other financing uses U.S. GAAP basis			1,061,335	
FUND BALANCE, June 30, 2021			<u>11,694,752</u>	
FUND BALANCE, June 30, 2022			<u>\$ 12,756,087</u>	

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS AND EMPLOYER CONTRIBUTIONS
(UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - CITY**

	Plan Year							
	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY								
Service cost	\$ 923,895	\$ 931,547	\$ 791,275	\$ 818,997	\$ 724,837	\$ 713,981	\$ 668,757	\$ 699,997
Interest	2,514,455	2,321,430	2,230,741	2,124,606	2,087,510	1,999,442	1,940,826	1,830,447
Changes of assumptions	1,487,323	-	1,002,882	-	(350,459)	-	-	-
Difference between expected and actual experience	(1,825,063)	1,314,714	184,088	299,978	(525,567)	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(1,793,189)	(1,622,933)	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Net change in total pension liability	1,307,421	2,944,758	2,461,600	1,536,232	830,918	1,321,936	849,007	1,577,734
Total pension liability, beginning	38,147,785	35,203,027	32,741,427	31,205,195	30,374,277	29,052,341	28,203,334	26,625,600
Total pension liability, ending (a)	<u>\$ 39,455,206</u>	<u>\$ 38,147,785</u>	<u>\$ 35,203,027</u>	<u>\$ 32,741,427</u>	<u>\$ 31,205,195</u>	<u>\$ 30,374,277</u>	<u>\$ 29,052,341</u>	<u>\$ 28,203,334</u>
PLAN FIDUCIARY NET POSITION								
Contributions - employer	\$ 872,454	\$ 679,011	\$ 649,728	\$ 534,293	\$ 527,937	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	321,366	327,995	312,348	305,122	319,696	285,757	282,529	274,820
Net investment income	8,775,477	613,743	2,037,562	2,181,520	3,261,440	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(1,793,189)	(1,622,933)	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Administrative expenses	(21,817)	(20,983)	(20,533)	(19,140)	(18,731)	(16,118)	(15,704)	(18,572)
Other changes	829	(726)	(1,286)	(1,924)	(2,903)	(196)	(243)	199
Net change in plan fiduciary net position	8,155,120	(23,893)	1,230,433	1,292,522	2,982,036	508,383	1,054,254	3,263,641
Plan fiduciary net position, beginning	32,199,052	32,222,945	30,992,512	29,699,990	26,717,954	26,209,571	25,155,317	21,891,693
Plan fiduciary net position, ending (b)	<u>\$ 40,354,172</u>	<u>\$ 32,199,052</u>	<u>\$ 32,222,945</u>	<u>\$ 30,992,512</u>	<u>\$ 29,699,990</u>	<u>\$ 26,717,954</u>	<u>\$ 26,209,571</u>	<u>\$ 25,155,334</u>
Net pension liability (asset), ending (a) - (b)	<u>\$ (898,966)</u>	<u>\$ 5,948,733</u>	<u>\$ 2,980,082</u>	<u>\$ 1,748,915</u>	<u>\$ 1,505,205</u>	<u>\$ 3,656,323</u>	<u>\$ 2,842,770</u>	<u>\$ 3,048,000</u>
Plan fiduciary net position as a percentage of the total pension liability	102.28%	84.41%	91.53%	94.66%	95.18%	87.96%	90.22%	89.19%
Covered payroll	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974	\$ 5,499,693
Net pension liability (asset) as a percentage of covered payroll	-13.60%	88.27%	46.64%	28.18%	24.73%	63.46%	50.04%	55.42%
SCHEDULE OF EMPLOYER CONTRIBUTIONS								
Contractually required contribution	\$ 912,520	\$ 895,472	\$ 701,572	\$ 665,127	\$ 545,751	\$ 527,937	\$ 720,636	\$ 619,948
Contribution in relation to contractually required contribution	912,520	895,472	700,809	671,001	606,319	594,684	747,041	725,460
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763</u>	<u>\$ (5,874)</u>	<u>\$ (60,568)</u>	<u>\$ (66,747)</u>	<u>\$ (26,405)</u>	<u>\$ (105,512)</u>
Covered payroll	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	13.09%	13.55%	10.40%	10.50%	9.77%	9.77%	12.97%	12.77%

Note to Schedule:

Schedule is intended to show information for 10 years. Fiscal year 2015 was the first year for this presentation. Information prior to 2015 is not available; however, additional years will be included as they become available.

See Notes to Required Supplementary Information and Independent Auditor's Report.

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS AND EMPLOYER CONTRIBUTIONS
(UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - SCHOOLS**

	Plan Year							
	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY								
Service cost	\$ 47,553	\$ 48,576	\$ 47,094	\$ 52,308	\$ 54,653	\$ 59,525	\$ 55,952	\$ 62,503
Interest	164,808	157,916	156,768	156,761	160,141	152,141	147,547	143,652
Changes of assumptions	88,678	-	57,383	-	11,087	-	-	-
Difference between expected and actual experience	21,327	52,913	(5,930)	(52,431)	(127,994)	51,061	20,244	-
Benefit payments, including refunds of employee contributions	(161,184)	(153,418)	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Net change in total pension liability	161,182	105,987	98,001	897	(38,727)	102,456	67,791	61,078
Total pension liability, beginning	2,522,192	2,416,205	2,318,204	2,317,307	2,356,034	2,253,578	2,185,787	2,124,709
Total pension liability, ending (a)	<u>\$ 2,683,374</u>	<u>\$ 2,522,192</u>	<u>\$ 2,416,205</u>	<u>\$ 2,318,204</u>	<u>\$ 2,317,307</u>	<u>\$ 2,356,034</u>	<u>\$ 2,253,578</u>	<u>\$ 2,185,787</u>
PLAN FIDUCIARY NET POSITION								
Contributions - employer	\$ 43,124	\$ 40,959	\$ 39,277	\$ 51,238	\$ 55,375	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	22,931	25,398	24,035	24,084	25,660	24,934	25,682	23,877
Net investment income	567,975	40,927	138,194	149,347	227,250	32,149	86,123	264,482
Benefit payments, including refunds of employee contributions	(161,184)	(153,418)	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Administrative expenses	(1,465)	(1,442)	(1,434)	(1,330)	(1,339)	(1,222)	(1,229)	(1,455)
Other changes	53	(48)	(87)	(132)	(201)	(14)	(16)	(14)
Net change in plan fiduciary net position	471,434	(47,624)	42,671	67,466	170,131	(41,673)	18,732	211,881
Plan fiduciary net position, beginning	2,121,518	2,169,142	2,126,471	2,059,005	1,888,874	1,930,547	1,911,815	1,699,906
Plan fiduciary net position, ending (b)	<u>\$ 2,592,952</u>	<u>\$ 2,121,518</u>	<u>\$ 2,169,142</u>	<u>\$ 2,126,471</u>	<u>\$ 2,059,005</u>	<u>\$ 1,888,874</u>	<u>\$ 1,930,547</u>	<u>\$ 1,911,787</u>
Net pension liability, ending (a) - (b)	<u>\$ 90,422</u>	<u>\$ 400,674</u>	<u>\$ 247,063</u>	<u>\$ 191,733</u>	<u>\$ 258,302</u>	<u>\$ 467,160</u>	<u>\$ 323,031</u>	<u>\$ 274,000</u>
Plan fiduciary net position as a percentage of the total pension liability	96.63%	84.11%	89.77%	91.73%	88.85%	80.17%	85.67%	87.46%
Employer's covered payroll*	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843	\$ 508,270
Net pension liability as a percentage of covered payroll	17.5%	69.83%	45.92%	36.38%	46.74%	88.39%	52.62%	53.91%
SCHEDULE OF EMPLOYER CONTRIBUTIONS								
Contractually required contribution	\$ 45,713	\$ 49,416	\$ 47,566	\$ 44,606	\$ 55,965	\$ 58,689	\$ 64,375	\$ 74,766
Contribution in relation to contractually required contribution	45,713	49,416	47,566	44,606	55,965	58,689	64,375	74,766
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered payroll	8.76%	9.57%	8.29%	8.29%	10.62%	10.62%	12.18%	12.18%

Note to Schedule:

Schedule is intended to show information for 10 years. Fiscal year 2015 was the first year for this presentation. Information prior to 2015 is not available; however, additional years will be included as they become available.

See Notes to Required Supplementary Information and Independent Auditor's Report.

**SCHEDULES OF CHANGES IN SCHOOLS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AND EMPLOYER CONTRIBUTIONS
(UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - TEACHERS' POOL**

	Plan Year							
	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS								
Employer's Proportion of the net pension liability	0.13798%	0.14042%	0.14177%	0.14390%	0.14631%	0.14548%	0.14682%	0.14753%
Employer's proportionate share of the net pension liability	\$ 10,711,522	\$ 20,434,798	\$ 18,657,738	\$ 16,923,000	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 62,503
Employer's covered payroll	12,032,677	12,186,554	11,803,449	11,559,264	11,491,017	11,097,066	10,969,314	10,827,561
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	89.02%	167.68%	158.07%	146.40%	156.58%	183.72%	168.46%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	85.46%	72.15%	72.92%	72.92%	72.92%	68.28%	7.68%	70.88%
SCHEDULE OF EMPLOYER CONTRIBUTIONS								
Contractually required contribution	\$ 1,991,242	\$ 1,999,831	\$ 1,910,852	\$ 1,850,781	\$ 1,886,472	\$ 1,684,583	\$ 1,609,075	\$ 1,590,551
Contribution in relation to contractually required contribution	1,991,242	1,999,831	1,910,852	1,850,781	1,886,472	1,684,583	1,609,075	1,590,551
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,317,738	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	16.17%	16.62%	15.68%	15.68%	16.32%	14.66%	14.50%	14.50%

Note to Schedule:

Schedule is intended to show information for 10 years. Fiscal year 2015 was the first year for this presentation. Information prior to 2015 is not available; however, additional years will be included as they become available.

**SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS AND EMPLOYER CONTRIBUTIONS
(UNAUDITED) - OPEB TRUST - CITY**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 89,285	\$ 98,205	\$ 70,219	\$ 67,825	\$ 77,260
Interest	47,956	54,480	76,258	74,639	56,357
Change in benefit terms	-	-	-	-	695,727
Change of assumptions	(400,310)	69,040	222,372	-	626,795
Difference between expected and actual experience	301,801	8,469	92,560	11,543	(280,164)
Benefit payments, including refunds of member contributions	<u>(71,018)</u>	<u>(126,272)</u>	<u>(152,593)</u>	<u>(100,431)</u>	<u>(47,037)</u>
Net change in total OPEB liability	(32,286)	103,922	308,816	53,576	1,128,938
Total OPEB liability, beginning	<u>2,433,295</u>	<u>2,329,373</u>	<u>2,020,557</u>	<u>1,966,981</u>	<u>838,043</u>
Total OPEB liability, ending (a)	<u>\$ 2,401,009</u>	<u>\$ 2,433,295</u>	<u>\$ 2,329,373</u>	<u>\$ 2,020,557</u>	<u>\$ 1,966,981</u>
PLAN FIDUCIARY NET OPEB					
Contributions - employer	\$ 104,388	\$ 88,142	\$ 101,068	\$ 167,239	\$ 106,774
Contributions - employee	93,491	112,994	93,755	83,763	70,306
Net investment income (loss)	(27,017)	32,318	10,214	547	238
Benefit payments	<u>(164,509)</u>	<u>(186,136)</u>	<u>(179,823)</u>	<u>(148,629)</u>	<u>(92,170)</u>
Net change in plan fiduciary net position	6,353	47,318	25,214	102,920	85,148
Plan fiduciary net position, beginning	<u>260,600</u>	<u>213,282</u>	<u>188,068</u>	<u>85,148</u>	<u>-</u>
Plan fiduciary net position, ending (b)	<u>\$ 266,953</u>	<u>\$ 260,600</u>	<u>\$ 213,282</u>	<u>\$ 188,068</u>	<u>\$ 85,148</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 2,134,056</u>	<u>\$ 2,172,695</u>	<u>\$ 2,116,091</u>	<u>\$ 1,832,489</u>	<u>\$ 1,881,833</u>
Plan fiduciary net position as a percentage of the total pension liability	11.12%	10.71%	9.16%	9.31%	4.33%
Employer's covered payroll*	\$ 8,254,073	\$ 8,216,810	\$ 7,743,990	\$ 7,562,087	\$ 7,020,980
Net pension liability as a percentage of covered payroll	25.9%	26.44%	27.33%	24.23%	26.80%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2022	\$ 104,388	\$ 104,388	\$ -	\$ 8,254,073	1.26%
June 30, 2021	88,142	88,142	-	8,216,810	1.07%
June 30, 2020	101,068	101,068	-	7,743,990	1.31%
June 30, 2019	167,239	167,239	-	7,562,087	2.21%
June 30, 2018	106,774	106,774	-	7,020,980	1.52%

Note to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for this presentation. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

**SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS AND EMPLOYER CONTRIBUTIONS
(UNAUDITED) - SCHOOLS**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 15,793	\$ 15,247	\$ 12,225	\$ 11,808	\$ 15,200
Interest	4,482	4,960	7,794	7,657	10,003
Change of assumptions	(30,664)	4,586	887	-	134,473
Difference between expected and actual experience	40,275	70	4,477	126,552	(58,566)
Benefit payments, including refunds of member contributions	(48,655)	(15,114)	(20,598)	(143,973)	(180,365)
Net change in total OPEB liability (asset)	(18,769)	9,749	4,785	2,044	(79,255)
Total OPEB liability, beginning	217,671	207,922	203,137	201,093	280,348
Total OPEB liability*, ending (a)	<u>\$ 198,902</u>	<u>\$ 217,671</u>	<u>\$ 207,922</u>	<u>\$ 203,137</u>	<u>\$ 201,093</u>
Covered-employee payroll	\$ 12,904,463	\$ 12,596,313	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Net pension liability as a percentage of covered-employee payroll	1.54%	1.73%	1.64%	1.65%	1.68%

*No assets have been accumulated in a trust to pay related benefits for this OPEB plan.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Contributions	\$ 48,655	\$ 15,114	\$ 20,598	\$ 143,973	\$ 180,365
Employer's Covered Payroll	\$ 12,904,463	\$ 12,596,313	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Contributions as a % of Covered-Employee Payroll	0.38%	0.12%	0.16%	1.17%	1.50%

Note to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for this presentation. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

**SCHEDULES OF EMPLOYER SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM AND RELATED RATIOS
AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - CITY**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY					
Employer's Proportion of the net GLI OPEB liability	0.03204%	0.03278%	0.03261%	0.03274%	0.03300%
Employer's proportionate share of the net GLI OPEB liability	\$ 373,031	\$ 547,045	\$ 530,652	\$ 497,000	\$ 497,000
Covered payroll	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.64%	8.12%	8.31%	8.01%	8.17%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%	52.64%	52.00%	51.22%	48.86%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2022	\$ 37,790	\$ 37,790	\$ -	\$ 6,973,784	0.54%
June 30, 2021	34,365	35,178	(813)	6,608,649	0.53%
June 30, 2020	35,045	35,077	(32)	6,739,407	0.52%
June 30, 2019	33,224	33,243	(19)	6,389,305	0.52%
June 30, 2018	32,271	32,368	(97)	6,205,925	0.52%
June 30, 2017	31,652	31,652	-	6,086,833	0.52%
June 30, 2016	30,535	27,660	2,875	5,761,310	0.48%
June 30, 2015	30,109	27,243	2,866	5,680,974	0.48%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule.

Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

**SCHEDULES OF EMPLOYER SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM AND RELATED RATIOS
AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - SCHOOLS**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY					
Employer's Proportion of the net GLI OPEB liability	0.06078%	0.06200%	0.06296%	0.06352%	0.06525%
Employer's proportionate share of the net					
GLI OPEB liability	\$ 707,645	\$ 1,034,679	\$ 1,024,528	\$ 964,000	\$ 982,000
Covered payroll	\$ 12,549,041	\$ 12,760,325	\$ 12,341,515	\$ 12,086,237	\$ 12,043,641
Employer's proportionate share of the net GLI OPEB					
liability as a percentage of its covered payroll	5.64%	8.12%	8.29%	7.97%	8.14%
Plan fiduciary net position as a percentage of the					
total GLI OPEB liability	67.45%	52.64%	52.00%	51.22%	48.86%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2022	\$ 69,333	\$ 69,333	\$ -	\$ 12,839,394	0.54%
June 30, 2021	67,765	67,765	-	12,549,041	0.54%
June 30, 2020	66,354	66,354	-	12,760,325	0.52%
June 30, 2019	64,176	64,176	-	12,341,515	0.52%
June 30, 2018	62,848	62,848	-	12,086,237	0.52%
June 30, 2017	62,627	62,627	-	12,043,641	0.52%
June 30, 2016	55,803	55,803	-	11,625,597	0.48%
June 30, 2015	55,599	55,599	-	11,583,157	0.48%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule.

Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

See Notes to Required Supplementary Information and Independent Auditor's Report.

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - CITY**

	Plan Year				
	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY					
Service cost	\$ 6,950	\$ 6,858	\$ 6,318	\$ 7,276	\$ 6,604
Interest	20,550	20,508	18,846	18,485	18,543
Changes of assumptions	6,168	-	7,342	-	(11,226)
Difference between expected and actual experience	(16,211)	(9,072)	19,919	(2,122)	-
Benefit payments, including refunds of member contributions	(17,950)	(17,398)	(18,268)	(18,707)	(10,779)
Net change in total HIC OPEB liability	(493)	896	34,157	4,932	3,142
Total HIC OPEB liability, beginning	313,417	312,521	278,364	273,432	270,290
Total HIC OPEB liability, ending (a)	<u>\$ 312,924</u>	<u>\$ 313,417</u>	<u>\$ 312,521</u>	<u>\$ 278,364</u>	<u>\$ 273,432</u>
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 16,546	\$ 16,884	\$ 16,003	\$ 14,891	\$ 14,537
Contributions - employee	-	-	-	-	-
Net investment income	40,690	3,100	9,308	10,020	14,538
Benefit payments, including refunds of member contributions	(17,950)	(17,398)	(18,268)	(18,707)	(10,779)
Administrative expenses	(482)	(297)	(203)	(232)	(243)
Other changes	-	(1)	(11)	(719)	719
Net change in plan fiduciary net position	38,804	2,288	6,829	5,253	18,772
Plan fiduciary net position, beginning	156,382	154,094	147,265	142,012	123,240
Plan fiduciary net position, ending (b)	<u>\$ 195,186</u>	<u>\$ 156,382</u>	<u>\$ 154,094</u>	<u>\$ 147,265</u>	<u>\$ 142,012</u>
Net HIC OPEB liability, ending (a) - (b)	<u>\$ 117,738</u>	<u>\$ 157,035</u>	<u>\$ 158,427</u>	<u>\$ 131,099</u>	<u>\$ 131,420</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	62.37%	49.90%	49.31%	52.90%	51.94%
Covered payroll	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 5,591,072
Net HIC OPEB liability as a percentage of covered payroll	1.78%	2.33%	2.48%	2.11%	2.35%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2022	\$ 17,402	\$ 17,402	\$ -	\$ 6,973,784	0.25%
June 30, 2021	17,843	16,885	959	6,608,649	0.26%
June 30, 2020	18,196	16,884	1,312	6,739,407	0.25%
June 30, 2019	17,251	16,003	1,248	6,389,305	0.25%
June 30, 2018	16,135	14,894	1,241	6,205,925	0.24%
June 30, 2017	14,537	14,537	-	5,591,072	0.26%
June 30, 2016	15,379	15,119	260	5,303,225	0.26%
June 30, 2015	15,138	15,111	27	5,220,099	0.29%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

**SCHEDULES OF EMPLOYER SHARE OF NET OPEB LIABILITY HEALTH INSURANCE CREDIT PROGRAM AND RELATED RATIOS
AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - SCHOOLS**

	Plan Year				
	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY					
Service cost	\$ 1,253	\$ 1,284	\$ 1,003	\$ 1,020	\$ 1,095
Interest	4,606	4,464	4,713	4,729	4,758
Changes in benefit terms	-	282	-	-	-
Changes of assumptions	1,630	-	1,325	-	11
Difference between expected and actual experience	(5,524)	2,722	(1,603)	643	-
Benefit payments, including refunds of member contributions	(6,604)	(6,706)	(6,550)	(6,687)	(5,874)
Net change in total HIC OPEB liability	(4,639)	2,046	(1,112)	(295)	(10)
Total HIC OPEB liability, beginning	71,536	69,490	70,602	70,897	70,907
Total HIC OPEB liability, ending (a)	<u>\$ 66,897</u>	<u>\$ 71,536</u>	<u>\$ 69,490</u>	<u>\$ 70,602</u>	<u>\$ 70,897</u>
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 5,422	\$ 4,992	\$ 4,681	\$ 4,269	\$ 4,476
Contributions - employee	-	-	-	-	-
Net investment income	1,943	180	621	822	1,372
Benefit payments, including refunds of member contributions	(6,604)	(6,706)	(6,550)	(6,687)	(5,874)
Administrative expenses	(21)	(15)	(12)	(16)	(20)
Other changes	-	-	(1)	(76)	76
Net change in plan fiduciary net position	740	(1,549)	(1,261)	(1,688)	30
Plan fiduciary net position, beginning	8,390	9,939	11,200	12,888	12,858
Plan fiduciary net position, ending (b)	<u>\$ 9,130</u>	<u>\$ 8,390</u>	<u>\$ 9,939</u>	<u>\$ 11,200</u>	<u>\$ 12,888</u>
Net HIC OPEB liability, ending (a) - (b)	<u>\$ 57,767</u>	<u>\$ 63,146</u>	<u>\$ 59,551</u>	<u>\$ 59,402</u>	<u>\$ 58,009</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	13.65%	11.73%	14.30%	15.86%	18.18%
Covered payroll	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624
Net HIC OPEB liability as a percentage of covered payroll	11.19%	11.01%	11.07%	11.27%	10.50%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2022	\$ 5,477	\$ 5,477	\$ -	\$ 521,656	1.05%
June 30, 2021	5,422	5,422	-	516,364	1.05%
June 30, 2020	4,992	4,992	-	573,771	0.87%
June 30, 2019	4,681	4,681	-	538,066	0.87%
June 30, 2018	4,284	4,269	(15)	526,973	0.81%
June 30, 2017	6,134	4,476	(1,658)	552,624	0.81%
June 30, 2016	4,440	4,440	-	528,531	0.84%
June 30, 2015	5,156	4,510	(646)	613,843	0.73%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

CITY OF POQUOSON, VIRGINIA

Exhibit V

**SCHEDULES OF EMPLOYER SHARE OF NET OPEB LIABILITY HEALTH INSURANCE CREDIT PROGRAM AND RELATED RATIOS
AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM - TEACHERS' POOL**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY					
Employer's Proportion of the net HIC OPEB liability	0.13606%	0.13901%	0.14075%	0.14285%	0.14545%
Employer's proportionate share of the net HIC OPEB liability	\$ 1,746,424	\$ 1,813,409	\$ 1,842,554	\$ 1,814,000	\$ 1,845,000
Covered payroll	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	14.51%	14.88%	15.61%	15.69%	16.06%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	13.15%	9.95%	8.97%	8.08%	7.04%
<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2022	\$ 149,045	\$ 149,045	\$ -	\$ 12,317,738	1.21%
June 30, 2021	145,959	145,596	(1)	12,032,677	1.21%
June 30, 2020	146,239	146,238	1	12,186,554	1.20%
June 30, 2019	141,641	141,666	(25)	11,803,449	1.20%
June 30, 2018	142,179	146,364	(4,185)	11,559,264	1.27%
June 30, 2017	127,550	127,508	42	11,491,017	1.11%
June 30, 2016	117,629	117,608	21	11,097,066	1.06%
June 30, 2015	116,714	115,710	1,004	10,969,314	1.05%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule.

Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

See Notes to Required Supplementary Information and Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

1. Budgets and Budgetary Accounting

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

- Between the 1st and 30th 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 funds. Expenditures over the original budget of any fund 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 and Grants Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for the recognition of encumbrances as expenditures. 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.

2. Changes of Pension and OPEB Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB) -All Plans

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

3. Changes of Assumptions

Pension

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 -Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) -Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 -Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

3. Changes of Assumptions (Continued)

Pension (Continued)

All Others (Non 10 Largest) -Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 78 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

Other Postemployment Benefits (OPEB) -VRS Plans

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 -Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

3. Changes of Assumptions (Continued)

Other Postemployment Benefits (OPEB) - VRS Plans (Continued)

Largest 10 -Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Other Postemployment Benefits (OPEB) -Local Plans

The discount rate was changed to 3.54% from 2% which was used in the prior valuation.

City: The medical trend assumptions were changed to reflect the update to model 2022_4f from model 2020_b. Medical plan pricing was also changed to reflect most recent experience and plan design.

Schools: The medical trend assumptions were changed to reflect the update to model 2022_f from model 2020_b. Medical plan pricing was also changed to reflect most recent experience and plan design. The actuarial assumptions used for employee decrements (e.g. mortality, turnover, retirement and disability) were based on the results of an experience study on behalf of the Virginia Retirement System for the four-year period ending June 30, 2020. Previously those actuarial assumptions were based on an experience study for a four-year period ending June 30, 2016.

All Others (Non 10 Largest) -Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

3. Changes of Assumptions (Continued)

Other Postemployment Benefits (OPEB) -Local Plans (Continued)

All Others (Non 10 Largest) -Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
June 30, 2022

	General	Food Service	School Activity Funds	Total Schools
ASSETS				
Cash and cash equivalents	\$ 3,235,776	\$ -	\$ 376,718	\$ 3,612,494
Restricted cash and cash equivalents	-	789,674	-	789,674
Due from other governmental units	766,611	-	-	766,611
Inventory	-	18,010	-	18,010
	<u>-</u>	<u>18,010</u>	<u>-</u>	<u>18,010</u>
Total assets	<u>\$ 4,002,387</u>	<u>\$ 807,684</u>	<u>\$ 376,718</u>	<u>\$ 5,186,789</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,464,675	\$ -	\$ -	\$ 2,464,675
Due to primary government	887,895	-	-	887,895
	<u>887,895</u>	<u>-</u>	<u>-</u>	<u>887,895</u>
Total liabilities	<u>3,352,570</u>	<u>-</u>	<u>-</u>	<u>3,352,570</u>
FUND BALANCES				
Nonspendable	-	807,684	-	807,684
Restricted	-	-	376,718	376,718
Assigned, education	649,817	-	-	649,817
	<u>649,817</u>	<u>-</u>	<u>-</u>	<u>649,817</u>
Total fund balances	<u>649,817</u>	<u>807,684</u>	<u>376,718</u>	<u>1,834,219</u>
Total liabilities and fund balances	<u>\$ 4,002,387</u>	<u>\$ 807,684</u>	<u>\$ 376,718</u>	<u>\$ 5,186,789</u>

(Continued)

See Independent Auditor's Report.

COMBINING BALANCE SHEET - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
June 30, 2022

**RECONCILIATION OF COMBINING BALANCE SHEET TO STATEMENT OF
NET POSITION COMPONENT UNIT - SCHOOLS**

Total fund balances - Component Unit - Schools	\$ 1,834,219
Amount reported for component unit activities in the Statement of Net Position 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.	8,084,133
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.	
Deferred outflows of pension	3,991,013
Deferred outflows of OPEB	544,406
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,975,657)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.	
Deferred inflows of pension	(8,523,316)
Deferred inflows of OPEB	(504,021)
	<hr/>
Total net position - Component Unit - Schools	\$ (8,549,223) <hr/> <hr/>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
Year Ended June 30, 2022**

	General	Food Service	School Activity Funds	Total Schools
REVENUES				
Charges for services	\$ -	\$ 1,529,074	\$ 584,713	\$ 2,113,787
Intergovernmental:				
Commonwealth of Virginia	13,362,341	-	-	13,362,341
Federal government	2,459,488	-	-	2,459,488
Local government	9,980,797	-	-	9,980,797
Other	212,108	-	-	212,108
Total revenues	26,014,734	1,529,074	584,713	28,128,521
EXPENDITURES				
Current				
Education	25,481,850	1,196,585	495,085	27,173,520
Debt service, principal	42,430	-	-	42,430
Debt service, interest	1,931	-	-	1,931
Total expenditures	25,526,211	1,196,585	495,085	27,217,881
Excess of revenues over expenditures	488,523	332,489	89,628	910,640
Net change in fund balance	488,523	332,489	89,628	910,640
FUND BALANCE				
Beginning of year	161,294	475,195	287,090	923,579
End of year	\$ 649,817	\$ 807,684	\$ 376,718	\$ 1,834,219

(Continued)

See Independent Auditor's Report.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
Year Ended June 30, 2022**

**RECONCILIATION OF COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - COMPONENT UNIT - SCHOOLS**

Net change in fund balances - total School Board funds	\$	910,640
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Amount reported for governmental activities in the Statement of Activities 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.

Capital outlay		115,771
Depreciation expense		(1,256,279)

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

		646,776
--	--	---------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of debt principal and capital leases		42,430
--	--	--------

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.

Pension expense		2,048,778
Other postemployment benefits liability		76,603
Compensated absences		12,578

Change in net position of governmental activities	\$	2,597,297
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BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
Year Ended June 30, 2022

	General Fund			Variance
	Original	Final	Actual	From Final
	Budget	Budget		Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental:				
Commonwealth of Virginia	\$ 13,212,594	\$ 13,511,766	\$ 13,362,341	\$ (149,425)
Federal government	954,026	3,477,274	2,459,488	(1,017,786)
Local government	10,462,429	11,220,643	9,980,797	(1,239,846)
Other	119,758	191,713	212,108	20,395
Total revenues	24,748,807	28,401,396	26,014,734	(2,386,662)
EXPENDITURES				
Current:				
Instruction	18,126,559	17,431,038	16,782,452	648,586
Division-wide	1,209,305	2,016,556	1,882,951	133,605
Transportation	910,404	1,122,279	999,231	123,048
Operation and maintenance	2,165,037	2,368,944	2,204,177	164,767
Food service	259,424	77,630	72,860	4,770
Technology	1,309,052	1,483,921	1,433,619	50,302
Grants	769,026	3,517,602	2,518,280	999,322
Debt service, principal	-	-	42,430	(42,430)
Debt service, interest	-	-	1,931	(1,931)
Total expenditures	24,748,807	28,017,970	25,937,931	2,080,039
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 383,426	\$ 76,803	\$ (4,466,701)
Less encumbrances outstanding beginning of year actually expended as of end of year			(161,294)	
Add encumbrances outstanding end of year			573,014	
Excess of revenues and other financing sources over expenditures and other financing uses - U.S. GAAP basis			488,523	
FUND BALANCES				
Beginning of year			161,294	
End of year			\$ 649,817	

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA**Schedule 4****STATEMENT OF CASH FLOWS - COMPONENT UNIT -
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2022****OPERATING ACTIVITIES**

Received from customers and users	\$ 14,309
Payments to suppliers for goods and services	<u>(71,738)</u>
Net cash used in operating activities	(57,429)

NONCAPITAL FINANCING AGREEMENTS

Contributions from Primary Government	87,084
---------------------------------------	--------

FINANCING ACTIVITIES

Interest paid on capital debt	<u>(17,517)</u>
Net increase in cash and cash equivalents	12,138

CASH AND CASH EQUIVALENTS

Beginning of year	<u>45,133</u>
End of year	<u><u>\$ 57,271</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Operating loss	\$ (91,760)
Depreciation	14,331
Changes in assets and liabilities:	
Accounts payable	<u>20,000</u>
Net cash used in operating activities	<u><u>\$ (57,429)</u></u>

See Independent Auditor's Report.

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION OVERVIEW

This part of the 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

TABLE

FINANCIAL TRENDS

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

1 - 4

REVENUE CAPACITY

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

5 - 8

DEBT CAPACITY

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

9 - 10

DEMOGRAPHIC AND ECONOMIC INFORMATION

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.

11 - 12

OPERATING INFORMATION

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

13 - 15

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

CITY OF POQUOSON, VIRGINIA

Table 1

NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 19,335,724	\$ 21,089,440	\$ 18,133,197	\$ 2,081,923	\$ 18,989,419	\$ 17,903,251	\$ 16,369,767	\$ 15,992,201	\$ 15,304,386	\$ 16,049,986
Restricted	2,118,295	1,310,631	2,489,143	20,119,972	1,873,326	1,997,619	2,502,661	1,229,189	758,646	878,402
Unrestricted	9,795,571	4,474,393	3,153,096	2,254,527	944,323	2,027,326	1,902,805	1,404,823	864,818	5,088,254
Total governmental activities	<u>\$ 31,249,590</u>	<u>\$ 26,874,464</u>	<u>\$ 23,775,436</u>	<u>\$ 24,456,422</u>	<u>\$ 21,807,068</u>	<u>\$ 21,928,196</u>	<u>\$ 20,775,233</u>	<u>\$ 18,626,213</u>	<u>\$ 16,927,850</u>	<u>\$ 22,016,642</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 5,342,928	\$ 5,370,778	\$ 5,454,081	\$ 5,201,957	\$ 4,865,391	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909	\$ 4,610,052	\$ 4,848,333
Restricted	34,070	-	-	-	-	-	-	-	-	-
Unrestricted	3,879,187	3,446,094	3,258,942	3,134,382	2,863,875	2,565,946	1,869,516	1,408,633	1,307,027	1,016,071
Total business-type activities	<u>\$ 9,256,185</u>	<u>\$ 8,816,872</u>	<u>\$ 8,713,023</u>	<u>\$ 8,336,339</u>	<u>\$ 7,729,266</u>	<u>\$ 7,177,923</u>	<u>\$ 6,623,552</u>	<u>\$ 6,200,542</u>	<u>\$ 5,917,079</u>	<u>\$ 5,864,404</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 24,678,652	\$ 26,460,218	\$ 23,587,278	\$ 7,283,880	\$ 23,854,810	\$ 22,515,228	\$ 21,123,803	\$ 20,784,110	\$ 19,914,438	\$ 20,898,319
Restricted - capital projects	-	-	1,422,500	18,973,986	1,080,002	1,644,469	1,995,804	942,712	488,442	645,971
Restricted - other	2,152,365	1,310,631	1,066,643	1,145,986	793,324	353,150	506,857	286,477	270,204	232,431
Unrestricted	13,674,758	7,920,487	6,412,038	5,388,909	3,808,198	4,593,272	3,772,321	2,813,456	2,171,845	6,104,325
Total primary government	<u>\$ 40,505,775</u>	<u>\$ 35,691,336</u>	<u>\$ 32,488,459</u>	<u>\$ 32,792,761</u>	<u>\$ 29,536,334</u>	<u>\$ 29,106,119</u>	<u>\$ 27,398,785</u>	<u>\$ 24,826,755</u>	<u>\$ 22,844,929</u>	<u>\$ 27,881,046</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 2

CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATING EXPENSES										
Governmental activities:										
General government	\$ 3,106,109	\$ 12,215,070	\$ 4,959,427	\$ 3,305,464	\$ 4,152,443	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051	\$ 3,471,130	\$ 3,081,068
Public safety and judicial	8,604,872	8,591,167	7,740,807	7,119,909	7,136,755	6,811,120	6,367,432	6,572,994	6,669,898	6,609,483
Public works	3,092,069	2,151,030	1,821,762	2,081,748	2,108,673	1,454,996	672,523	1,722,753	2,066,486	1,599,943
Health and welfare	986,273	1,070,059	1,165,110	1,190,360	1,303,164	1,228,244	1,125,090	1,036,794	957,396	909,035
Education	11,101,660	3,010,568	12,899,682	10,534,422	10,249,813	10,089,105	10,434,221	10,126,907	9,984,015	9,557,995
Parks and recreation	1,336,154	1,608,001	1,778,533	1,762,160	1,647,715	2,113,548	1,923,884	1,738,752	1,774,597	1,639,717
Economic Development Authority	21,000	145,141	17,053	16,417	5,000	-	25,000	-	-	-
Community development	557,876	597,883	765,613	1,095,080	2,046,826	1,611,496	667,793	560,195	644,892	711,874
Interest on long-term debt	1,027,962	1,263,545	1,228,907	1,922,059	1,081,173	638,246	1,040,364	1,046,103	1,074,323	1,114,258
Total governmental activities	29,833,975	30,652,464	32,376,894	29,027,619	29,731,562	27,719,553	25,926,637	25,459,549	26,642,737	25,223,373
Business-type activities										
Sewer	1,279,528	1,654,348	1,457,329	1,462,941	1,439,188	1,488,407	1,485,293	1,520,881	1,465,757	1,470,187
Solid waste	1,130,131	1,103,778	1,041,994	816,100	756,231	806,210	793,688	746,243	863,191	842,251
Total business-type activities	2,409,659	2,758,126	2,499,323	2,279,041	2,195,419	2,294,617	2,278,981	2,267,124	2,328,948	2,312,438
Total expenses	32,243,634	33,410,590	34,876,217	31,306,660	31,926,981	30,014,170	28,205,618	27,726,673	28,971,685	27,535,811
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	752,271	589,108	258,432	256,084	179,790	1,269,889	343,486	236,877	276,781	218,338
Public safety and judicial	359,727	325,566	427,125	494,512	475,122	458,937	435,190	477,642	398,996	370,268
Education	-	-	-	-	-	3,655	47,520	43,914	35,343	36,347
Parks and recreation	65,835	37,028	52,895	80,480	77,252	85,445	89,096	80,871	76,741	80,352
Community development	216,953	145,608	240,495	328,058	347,472	317,701	330,949	324,945	312,043	330,873
Operating grants and contributions	1,703,649	3,644,428	2,284,340	1,707,679	1,752,658	1,640,741	1,633,650	1,566,976	1,622,774	1,670,603
Capital grants and contributions	874,441	878,892	928,323	1,558,876	2,059,956	645,565	837,446	507,190	599,361	458,320
Total governmental activities	3,972,876	5,620,630	4,191,610	4,425,689	4,892,250	4,421,933	3,717,337	3,238,415	3,322,039	3,165,101
Business-type activities										
Sewer	1,852,819	1,890,642	1,901,917	2,145,486	2,095,278	2,188,672	2,015,026	1,865,981	1,887,501	1,835,646
Solid waste	1,197,768	1,203,857	1,141,314	886,514	846,418	819,845	801,841	796,892	863,890	862,297
Total business-type activities	3,050,587	3,094,499	3,043,231	3,032,000	2,941,696	3,008,517	2,816,867	2,662,873	2,751,391	2,697,943
Total program revenues	7,023,463	8,715,129	7,234,841	7,457,689	7,833,946	7,430,450	6,534,204	5,901,288	6,073,430	5,863,044
Total governmental activities	(25,861,099)	(25,031,834)	(28,185,284)	(24,601,930)	(24,839,312)	(23,297,620)	(22,209,300)	(22,221,134)	(23,320,698)	(22,058,272)
Total business-type activities	640,928	336,373	543,908	752,959	746,277	713,900	537,886	395,749	422,443	385,505
Total primary government	(25,220,171)	(24,695,461)	(27,641,376)	(23,848,971)	(24,093,035)	(22,583,720)	(21,671,414)	(21,825,385)	(22,898,255)	(21,672,767)

(Continued)

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 2

CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	\$ 25,983,555	\$ 23,965,689	\$ 23,549,034	\$ 23,062,109	\$ 21,616,868	\$ 20,821,895	\$ 20,570,278	\$ 20,368,202	\$ 18,827,143	\$ 18,219,806
Other	3,611,206	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297
Reimbursements from other agencies	173,571	186,967	123,570	152,346	139,561	137,731	158,675	128,897	159,612	84,883
Payments in lieu of taxes:										
Investment earnings	87,811	206,247	322,261	362,288	283,557	251,622	221,823	200,759	188,699	189,710
Miscellaneous	130,082	128,922	405,494	607,862	548,204	86,193	419,424	165,351	184,222	236,197
Transfers	250,000	235,000	200,000	198,147	200,000	195,833	150,000	150,000	128,000	130,000
Total governmental activities	30,236,225	28,130,862	27,504,298	27,251,284	25,752,730	24,450,584	24,358,320	23,919,497	22,292,436	21,741,893
Business-type activities:										
Investment earnings	48,279	2,476	32,776	47,686	35,208	35,973	34,964	33,357	35,470	26,440
Miscellaneous	106	-	-	4,575	9,280	331	160	4,357	587	2,677
Transfers	(250,000)	(235,000)	(200,000)	(198,147)	(200,000)	(195,833)	(150,000)	(150,000)	(128,000)	(130,000)
Total business-type activities	(201,615)	(232,524)	(167,224)	(145,886)	(155,512)	(159,529)	(114,876)	(112,286)	(91,943)	(100,883)
CHANGE IN NET POSITION										
Governmental activities	4,375,126	3,099,028	(680,986)	2,649,354	913,418	1,152,964	2,149,020	1,698,363	(1,028,262)	(316,379)
Business-type activities	439,313	103,849	376,684	607,073	590,765	554,371	423,010	283,463	330,500	284,622
Total primary government	\$ 4,814,439	\$ 3,202,877	\$ (304,302)	\$ 3,256,427	\$ 1,504,183	\$ 1,707,335	\$ 2,572,030	\$ 1,981,826	\$ (697,762)	\$ (31,757)

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 3

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GENERAL FUND										
Nonspendable	\$ 1,647,904	\$ 1,647,904	\$ 1,647,904	\$ 1,707,130	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954	\$ 1,968,595
Restricted	1,083,807	1,310,631	244,643	458,613	193,324	353,150	348,557	286,477	270,204	234,126
Committed	1,000,000	1,000,000	822,000	687,373	600,000	600,000	600,000	600,000	-	-
Assigned	387,078	459,114	207,690	272,967	367,729	314,114	229,475	255,862	706,877	426,772
Unassigned	8,637,298	7,446,695	6,279,043	5,389,522	5,343,537	4,358,819	4,388,700	4,851,141	5,009,182	4,837,805
Total general fund	12,756,087	11,864,344	9,201,280	8,515,605	8,332,630	7,473,351	7,428,230	7,874,206	7,886,217	7,467,298
ALL OTHER GOVERNMENTAL FUNDS										
Restricted	4,677,998	13,896,824	17,855,149	18,973,986	1,080,002	1,644,469	2,154,104	942,712	488,442	645,971
Assigned	2,170,743	1,344,830	1,265,171	1,391,455	666,063	769,329	706,113	822,546	573,040	651,746
Total all other governmental funds	6,848,741	15,241,654	19,120,320	20,365,441	1,746,065	2,413,798	2,860,217	1,765,258	1,061,482	1,297,717
Total fund balances	<u>\$ 19,604,828</u>	<u>\$ 27,105,998</u>	<u>\$ 28,321,600</u>	<u>\$ 28,881,046</u>	<u>\$ 10,078,695</u>	<u>\$ 9,887,149</u>	<u>\$ 10,288,447</u>	<u>\$ 9,639,464</u>	<u>\$ 8,947,699</u>	<u>\$ 8,765,015</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 4

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATING REVENUES										
General property taxes	\$ 23,792,933	\$ 22,006,911	\$ 21,594,010	\$ 20,971,058	\$ 19,764,234	\$ 18,939,996	\$ 18,605,963	\$ 18,425,590	\$ 16,959,423	\$ 16,371,816
Other local taxes	3,611,206	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297
Permits, privilege fees and regulatory licenses	404,747	305,493	106,467	115,212	119,995	157,800	150,186	168,314	89,910	76,040
Fines and forfeitures	28,173	34,142	30,661	30,474	42,695	34,665	41,742	44,898	73,024	58,103
Revenue from use of money and property	87,811	206,247	322,261	362,288	283,557	251,622	221,823	200,759	188,699	189,710
Charges for services	641,965	508,202	600,840	776,328	758,409	689,823	719,627	730,274	677,961	683,698
Intergovernmental	4,984,105	6,883,187	5,500,643	5,579,452	6,034,143	5,600,807	4,887,888	4,347,257	4,564,184	4,355,574
Miscellaneous	140,951	130,836	388,159	555,455	523,784	77,683	406,388	187,840	216,483	260,245
Total revenues	33,691,891	33,483,055	31,446,980	31,258,799	30,491,357	28,709,706	27,871,737	27,011,220	25,574,444	24,876,483
OPERATING EXPENSES										
Current:										
General government administration	2,776,688	2,924,942	2,427,124	2,422,070	2,367,377	2,197,779	2,307,455	2,142,936	2,150,397	2,116,875
Public safety and judicial	8,309,915	8,262,148	7,591,455	7,540,536	7,082,765	6,748,735	6,510,844	6,543,540	6,323,724	6,247,962
Public works	2,112,453	1,911,845	1,883,868	2,023,809	1,800,787	1,904,962	1,806,905	1,846,179	1,717,667	1,587,114
Health and welfare	992,570	1,055,408	1,160,520	1,215,397	1,308,293	1,226,563	1,127,881	1,038,823	938,191	892,421
Parks, recreation and cultural	1,686,054	1,519,339	1,650,414	1,705,296	1,673,714	1,617,467	1,605,290	1,616,495	1,558,028	1,545,578
Community development	583,908	566,822	764,987	1,127,264	2,088,168	1,616,597	686,316	588,060	643,567	705,927
Nondepartmental	258,820	677,819	205,324	145,036	119,940	138,342	114,470	113,192	125,312	144,213
Education	9,879,994	9,304,423	10,077,056	9,851,389	9,853,778	9,738,170	9,566,168	9,422,763	8,991,413	8,844,076
Economic Development Authority	21,000	145,141	17,053	16,417	5,000	-	25,000	-	-	-
Capital outlay	11,207,921	8,449,930	2,511,266	1,191,561	1,360,988	1,468,075	1,202,670	822,462	991,003	794,678
Debt service:										
Principal retirement	2,314,547	2,129,691	2,443,009	2,262,180	2,000,899	1,969,645	2,078,058	1,464,000	886,835	684,426
Bond issuance costs	-	264,986	-	567,951	-	-	298,907	-	-	-
Interest and fiscal charges	1,299,191	1,442,575	1,474,350	1,295,065	1,005,102	842,370	1,128,233	1,163,062	1,190,623	1,124,605
Total expenditures	41,443,061	38,655,069	32,206,426	31,363,971	30,666,811	29,468,705	28,458,197	26,761,512	25,516,760	24,687,875
Excess (deficiency) of revenues over expenditures	(7,751,170)	(5,172,014)	(759,446)	(105,172)	(175,454)	(758,999)	(586,460)	249,708	57,684	188,608
OTHER FINANCING SOURCES (USES)										
Transfers in	7,230,167	4,704,223	4,258,588	4,141,866	3,142,671	3,216,988	3,988,485	3,795,075	2,306,958	2,333,090
Issuance of debt, net	-	3,723,412	-	18,714,856	167,000	127,224	1,085,443	292,057	-	1,734,000
Transfers out	(6,980,167)	(4,471,223)	(4,058,588)	(3,949,199)	(2,942,671)	(3,021,155)	(3,838,485)	(3,645,075)	(2,181,958)	(2,203,090)
Total other financing sources	250,000	3,956,412	200,000	18,907,523	367,000	323,057	1,235,443	442,057	125,000	1,864,000
Net change in fund balances	\$ (7,501,170)	\$ (1,215,602)	\$ (559,446)	\$ 18,802,351	\$ 191,546	\$ (435,942)	\$ 648,983	\$ 691,765	\$ 182,684	\$ 2,052,608
Debt service as a percentage of noncapital expenditures										
	7.48%	11.70%	13.18%	11.81%	10.44%	9.95%	11.62%	10.46%	8.58%	7.52%

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 5

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Residential Property	Commercial/ Industrial Property	Agricultural Property	Total Taxable Assessed Value	Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2022	\$1,678,040,300	\$ 102,023,000	\$ 2,018,600	\$1,782,081,900	\$ 103,575,500	\$1.13	\$1,782,081,900	100%
2021	1,561,914,700	101,399,100	2,018,600	1,655,332,400	101,789,500	1.14	1,680,154,100	99%
2020	1,552,706,200	100,417,400	2,018,600	1,665,142,200	102,206,400	1.14	1,655,332,400	101%
2019	1,495,634,600	99,817,800	2,018,600	1,597,471,000	102,206,400	1.14	1,616,917,675	99%
2018	1,481,592,900	99,130,100	2,018,600	1,582,741,600	104,112,600	1.07	1,583,888,262	100%
2017	1,422,141,000	108,653,342	2,018,600	1,532,812,342	104,188,800	1.07	1,548,341,465	99%
2016	1,416,700,300	106,316,055	2,018,600	1,525,034,355	104,751,400	1.07	1,540,287,555	99%
2015	1,419,250,800	97,448,871	2,012,700	1,518,712,371	104,076,490	1.07	1,518,712,371	100%
2014	1,411,254,800	98,310,947	3,452,500	1,513,018,247	103,821,950	0.97	1,513,018,247	100%
2013	1,426,373,300	96,689,879	3,706,100	1,526,769,279	105,532,630	0.92	1,511,501,600	101%

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

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 6

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Net Taxes Levied for Fiscal Year Original Levy	Subsequent Year Adjustments	Total Adjusted Net Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collected to Date	
				Amount	Percent of Original Levy		Amount	Percent of Original Levy
2022	\$ 20,097,322	\$ -	\$ 20,097,322	\$ 19,843,679	98.70%	\$ -	\$ 19,843,679	98.70%
2021	18,928,792	(4,459)	18,924,333	18,683,713	98.71%	152,256	18,835,969	99.53%
2020	18,845,990	(16,360)	18,829,630	18,634,394	98.88%	157,143	18,791,537	99.80%
2019	18,201,313	(8,858)	18,192,455	18,018,710	99.00%	155,885	18,174,595	99.90%
2018	16,950,876	(9,967)	16,940,909	16,857,244	99.45%	69,775	16,927,019	99.92%
2017	16,283,816	15,705	16,299,521	16,136,972	99.00%	151,239	16,288,211	99.93%
2016	16,111,062	12,802	16,123,864	15,942,338	99.87%	172,284	16,114,622	99.94%
2015	16,039,914	942	16,040,856	15,875,158	98.97%	156,752	16,031,910	99.94%
2014	14,492,059	(2,924)	14,489,135	14,338,022	98.94%	144,788	14,482,810	99.96%
2013	13,891,076	(5,000)	13,886,076	13,709,910	98.70%	169,460	13,879,370	99.95%

Source: City of Poquoson Treasurer's Department

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 7

**PRINCIPAL TAXPAYERS (UNAUDITED)
CURRENT YEAR AND THE PERIOD NINE YEARS PRIOR**

Taxpayer	Type of Business	Fiscal Year 2022		Fiscal Year 2013	
		Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment	Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 10,233,800	0.57%	\$ 9,460,200	0.62%
City of Newport News	Public Service	7,879,000	0.44%	-	-
Poquoson Shopping Center, L.L.C.	Shopping Center	7,418,000	0.41%	4,532,700	0.30%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,350,300	0.41%	6,415,500	0.42%
GPH Poquoson L.L.C.	Nursing Home	5,974,800	0.33%	3,641,600	0.24%
CH Realty 1X-Legacy MHC Norfolk	Mobile Home Park	5,510,500	0.31%	-	-
SNH CHS Properties Trust	Nursing Home	5,038,000	0.28%	2,321,600	0.15%
Islander Associates	Apartment Rentals	4,512,300	0.25%	3,444,200	0.23%
SGC Wythe Creek, L.L.C.	Shopping Center	4,414,400	0.25%	4,089,300	0.27%
Universal of Poquoson	Mobile Home Park	3,831,900	0.21%	3,299,000	0.22%
Whitehouse Cove, L.L.C.	Marina / Mobile Home Park	3,822,500	0.21%	6,151,800	0.40%
Hunt Properties of Poquoson, Inc.	Storage Facilities	2,834,300	0.16%	2,671,900	0.18%
		<u>\$ 68,819,800</u>	<u>3.83%</u>	<u>\$ 46,027,800</u>	<u>3.03%</u>

Source: Commissioner of the Revenue and City Assessor

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 8

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
TOTAL ASSESSED VALUE OF TAXED REAL PROPERTY										
General	\$ 1,782,081,900	\$ 1,665,332,400	\$ 1,655,142,200	\$ 1,583,909,200	\$ 1,709,224,591	\$ 1,619,068,342	\$ 1,504,974,300	\$ 1,500,055,080	\$ 1,493,024,330	\$ 1,508,646,060
Public service corporations	11,544,350	21,361,594	21,926,700	22,895,188	22,620,001	22,397,342	20,060,055	18,657,291	19,993,917	18,123,219
	<u>\$ 1,793,626,250</u>	<u>\$ 1,686,693,994</u>	<u>\$ 1,677,068,900</u>	<u>\$ 1,606,804,388</u>	<u>\$ 1,731,844,592</u>	<u>\$ 1,641,465,684</u>	<u>\$ 1,525,034,355</u>	<u>\$ 1,518,712,371</u>	<u>\$ 1,513,018,247</u>	<u>\$ 1,526,769,279</u>
DEBT LIMIT (10% of total assessed value)	<u>\$ 179,362,625</u>	<u>\$ 168,669,399</u>	<u>\$ 167,706,890</u>	<u>\$ 160,680,439</u>	<u>\$ 173,184,459</u>	<u>\$ 164,146,568</u>	<u>\$ 152,503,436</u>	<u>\$ 151,871,237</u>	<u>\$ 151,301,825</u>	<u>\$ 152,676,928</u>
DEBT APPLICABLE TO DEBT LIMIT										
General obligation bonds, other than those authorized for a specific revenue producing project	37,216,002	37,220,997	35,532,586	37,882,586	21,734,586	23,419,586	25,104,587	27,174,645	28,096,588	28,619,001
Capital leases	29,102	92,138	192,275	280,592	228,325	-	-	-	-	83,166
Sewer general obligation bonds	3,942,000	4,548,002	4,935,000	5,450,002	5,940,002	6,410,000	6,855,000	7,220,000	8,000,000	8,305,000
State literary fund loans	-	-	-	-	250,000	500,000	750,000	1,000,000	1,250,000	1,530,820
	<u>41,187,104</u>	<u>41,861,137</u>	<u>40,659,861</u>	<u>43,613,180</u>	<u>28,152,913</u>	<u>30,329,586</u>	<u>32,709,587</u>	<u>35,394,645</u>	<u>37,346,588</u>	<u>38,537,987</u>
MARGIN FOR ADDITIONAL BORROWING	<u>\$ 138,175,521</u>	<u>\$ 126,808,262</u>	<u>\$ 127,047,029</u>	<u>\$ 117,067,259</u>	<u>\$ 145,031,546</u>	<u>\$ 133,816,982</u>	<u>\$ 119,793,849</u>	<u>\$ 116,476,592</u>	<u>\$ 113,955,237</u>	<u>\$ 114,138,941</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>22.96%</u>	<u>24.82%</u>	<u>24.24%</u>	<u>27.14%</u>	<u>16.26%</u>	<u>18.48%</u>	<u>21.45%</u>	<u>23.31%</u>	<u>24.68%</u>	<u>25.24%</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 9

**RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business- Type Activities	Total Primary Government	Median Household Income (1)	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Term Loans Payable	Capital Leases	Sewer Bonds				
2022	\$ 37,216,002	\$ -	\$ 29,102	\$ 3,942,000	\$ 41,187,104	N/A	N/A	N/A
2021	39,825,392	-	92,138	4,593,386	44,510,916	N/A	N/A	N/A
2020	35,532,586	-	192,275	4,935,000	40,659,861	\$ 100,696	N/A	\$ 42,260
2019	41,625,365	-	280,592	5,819,009	47,724,966	97,118	N/A	40,258
2018	25,292,387	250,000	228,325	6,359,159	32,129,871	96,831	N/A	40,277
2017	27,282,853	500,000	127,224	6,879,308	34,789,385	88,328	1.0%	2,826
2016	29,273,324	750,000	-	7,374,457	37,397,781	84,643	1.0%	3,044
2015	28,786,818	1,000,000	292,057	7,789,604	37,868,479	83,780	0.9%	3,064
2014	29,843,650	1,250,000	-	8,669,904	39,763,554	83,496	1.0%	3,256
2013	30,500,952	1,530,820	83,166	8,305,000	40,419,938	81,701	1.0%	3,347

Source: (1) United States Census Bureau

N/A - This information is not available.

**RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Assessed Value	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2022	12,574	\$ 1,782,081,900	\$ 37,216,002	2.09%	\$ 2,960
2021	12,574	1,655,332,400	39,825,392	2.41%	3,167
2020	12,466	1,665,142,200	35,532,586	2.13%	2,850
2019	12,395	1,597,471,000	41,625,365	2.61%	3,358
2018	12,320	1,582,741,600	25,292,387	1.60%	2,053
2017	12,311	1,532,812,342	27,282,853	1.78%	2,216
2016	12,287	1,525,034,355	29,273,324	1.92%	2,382
2015	12,359	1,518,712,371	28,786,818	1.90%	2,329
2014	12,212	1,513,018,247	29,843,650	1.97%	2,444
2013	12,076	1,526,769,279	30,500,952	2.00%	2,526

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 general obligation debt, which are retired through revenues of the related operations.

Note: There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

**DEMOGRAPHIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate % (4)
2022	12,574	N/A	N/A	2,076	2.4%
2021	12,475	N/A	N/A	2,077	3.3%
2020	12,373	N/A	\$ 62,645	2,118	6.0%
2019	12,395	\$ 4,938	59,892	2,119	2.5%
2018	12,320	4,731	58,119	2,122	2.7%
2017	12,311	4,529	56,729	2,106	3.5%
2016	12,287	4,334	55,344	2,059	3.5%
2015	12,359	4,367	54,592	2,108	4.1%
2014	12,212	4,205	53,646	2,095	4.7%
2013	12,076	4,069	51,718	2,125	5.3%

Source: (1) Weldon Cooper Center for Public Service
 (2) Bureau of Economic Analysis combined amount for York County/Poquoson
 (3) Poquoson School Board. Data is September enrollment for each fiscal year
 (4) Bureau of Labor Statistics

N/A - This information is not available.

**PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS PRIOR**

Employer	Fiscal Year 2022		Fiscal Year 2013	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	281	15.68%	274	8.30%
City of Poquoson	163	9.10%	143	4.33%
Food Lion	80	4.46%	58	1.76%
Golden Living Center/Bayside	45	2.51%	55	1.67%
Surf Rider	53	2.96%	55	1.67%
Dominion Village at Poquoson	40	2.23%	42	1.27%
McDonald's Restaurant	34	1.90%	45	1.36%
Poquoson Veterinary Hospital	27	1.51%	N/A	N/A
Farm Fresh	25	1.40%	75	2.27%
Wendy's Restaurant	23	1.28%	19	0.58%
Taylor's Do It Center	18	1.00%	N/A	N/A
Stephen's Office Supply	10	0.56%	19	0.58%
	799	44.59%	785	23.79%

Source: City of Poquoson Economic Development Department

N/A - This information is not available.

CITY OF POQUOSON, VIRGINIA

Table 13

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS**

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GENERAL GOVERNMENT										
Management services	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20
Finance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Planning	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Building	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Other	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10
POLICE										
Officers	28.00	28.00	28.50	28.50	26.50	25.50	24.50	23.50	23.50	23.50
Civilians	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.00	1.00	1.00
FIRE										
Firefighters and officers	32.00	32.00	32.00	32.00	32.00	32.00	30.00	29.00	29.00	29.00
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	1.00	1.00	1.00	1.00	1.00	1.00	1.00
OTHER PUBLIC WORKS	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.10	17.10
Engineering	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00
Other	3.75	3.75	3.75	3.00	2.00	2.00	2.00	2.00	2.00	2.00
FLEET	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
PARKS AND RECREATION	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80
LIBRARY	12.45	12.45	12.45	12.45	12.45	12.45	11.95	11.95	11.95	11.95
UTILITIES	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Totals	149.05	149.05	149.30	148.30	145.30	144.30	139.80	136.30	135.90	135.90

Source: Finance Department

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 14

**OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS**

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
PUBLIC SAFETY										
Police department (1):										
Physical arrests	195	218	172	293	263	270	259	225	255	291
Parking violations	37	42	7	16	6	2	8	9	18	41
Traffic violations	679	644	586	660	841	824	714	728	982	1,062
Fire and rescue (2):										
Emergency responses	2,167	2,644	2,293	2,000	2,331	974	1,991	2,228	1,883	2,122
Fires extinguished	42	34	23	23	31	24	25	36	14	22
Inspections	81	107	65	113	155	108	182	237	209	240
REFUSE COLLECTION (3)										
Refuse collected (tons)	3,339	3,194	4,810	4,364	4,421	3,120	2,491	2,338	3,597	2,761
Recyclables collected (tons)	906	932	826	1,084	1,732	2,207	1,102	1,227	1,161	1,282
OTHER PUBLIC WORKS (3)										
Street resurfacing (tons)	4,781	8,998	1,632	3,600	2,736	3,317	3,461	1,764	0	2,524
LIBRARY (4)										
Volumes in collection	63,864	63,650	64,019	64,117	64,521	66,390	66,922	64,135	62,048	60,811
Total volumes borrowed	129,730	139,098	131,293	160,257	167,759	146,204	185,361	199,695	207,338	199,739
WASTEWATER (5)										
Sewer connections	5,148	5,087	5,060	5,027	5,029	5,004	4,943	4,910	4,816	4,782

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

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 15

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
PUBLIC SAFETY										
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	32	33	33	33	29	29	27	27	25	25
Fire stations (2):	2	2	2	2	2	2	2	2	2	2
REFUSE COLLECTION (3)										
Collection trucks	5	6	6	4	4	4	4	4	4	4
OTHER PUBLIC WORKS (3)										
Street (miles)	55.24	55.24	55.18	55.18	54.90	56.70	54.60	55.30	55.10	55.10
Streetlights	598	589	589	589	577	577	577	580	575	575
Traffic signals	4	4	4	4	4	4	4	4	4	4
PARKS AND RECREATION (4)										
Acreage	70	63	63	63	63	63	63	63	63	63
Playgrounds	4	4	4	4	4	4	4	4	4	3
Baseball / softball diamonds	6	6	6	6	6	6	6	6	6	4
Soccer / football fields	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2	2
WASTEWATER (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	65	65	65	65
Storm sewers (miles)	49.71 *	49.71 *	34.24*	34.24*	34.24*	34.24*	34.24*	34.24*	34.24*	34.24*
SCHOOLS (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	24	22	23	23	22	22	22	21	21	22

(*) 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
(6) Poquoson City Public Schools

See Independent Auditor's Report.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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***

To the Honorable Members of the City Council of
City of Poquoson, Virginia
Poquoson, Virginia

We have audited, in accordance with the 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, 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Poquoson, Virginia's basic financial statements, and have issued our report thereon dated December 9, 2022.

Report on Internal Control over Financial Reporting

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

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poquoson, Virginia's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Poquoson, Virginia's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 9, 2022

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
COMPONENT UNIT - SCHOOL BOARD
June 30, 2022

Federal Granting Agency / Recipient State Agency Grant Program	Pass-through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass through payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture and Consumer Services:			
Food Commodities		10.555	\$ 51,157
Summer Food Service Program for Children		10.559	13,114
Virginia Department of Education:			
National School Breakfast Program		10.553	328,941
National School Lunch Program		10.555	842,163
Total Child Nutrition Cluster:			<u>\$ 1,235,375</u>
U.S. Department of Defense			
VTSS - Tiered Systems of Support		12.558	25,458
			<u>\$ 25,458</u>
Center for Disease Control and Prevention			
Virginia Department of Health:			
Epidemiology and Laboratory Capacity for Infectious Diseases		93.323	24,089
			<u>\$ 24,089</u>
U.S. Department of Transportation			
Pass through payments:			
Department of Motor Vehicles:			
Alcohol Traffic Safety and Drunk Driving			
Selective Enforcement (07/01/2021-09/30/2021)-Occupant Protection	FOP-2021-51102-21102	20.600	1,400
Selective Enforcement (10/01/2021-12/31/2021)-Occupant Protection	FOP-2022-52286-22286	20.600	1,050
Selective Enforcement (01/01/2022-03/31/2022)-Occupant Protection	FOP-2022-52286-22286	20.600	875
Selective Enforcement (04/01/2022-06/30/2022)-Occupant Protection	FOP-2022-52286-22286	20.600	1,559
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive (7/1/2021 -9/30/2021)-Alcohol	FM6OT-2021-51103-21103	20.616	1,050
Prevention Incentive (10/01/2021-12/31/2021)-Alcohol	FM6OT-2022-52289-22289	20.616	1,015
Prevention Incentive (1/1/2022 - 3/31/2022)-Alcohol	FM6OT-2022-52289-22289	20.616	1,050
Prevention Incentive (4/1/2022 - 6/30/2022)-Alcohol	FM6OT-2022-52289-22289	20.616	2,584
			<u>\$ 10,583</u>
U.S. Department of the Treasury			
Direct Payments:			
Plum Tree Island Refuge		15.611	2,328
ARPA (American Rescue Plan Act) Fiscal Recovery Fund		21.027	92,075
			<u>\$ 94,403</u>
U.S. Department of Education			
Impact Aid		84.041	183,447
Virginia Department of Education:			
Education Stabilization Fund	S425D200008/S425D210008	84.425D	197,270
Elementary and Secondary School Emergency Relief State Set-Aside Fund	S425D210008	84.425C	13,682
Elementary and Secondary School Emergency Relief III Formula Fund	S425U210008	84.425U	84,365
Title I: Grants to local educational agencies	S010A210046	84.010	92,985
Title II: Improving teacher quality state grants	S367A210044	84.367	34,127
Special Education (IDEA) Cluster:			
Title VI-B: Assistance to States for			
Education of Handicapped Children:			
Special Education Grants	H027A200107/H027X210107	84.027	493,244
ARP Title VI-B Flow-Through Subgrant Awards	H027X210107	84.027X	93,409
Preschool handicapped	H173A200112/H173X210112	84.173	11,297
ARP Preschool Subgrant Awards	H173X210112	84.173X	3,759
Total IDEA Cluster:			<u>601,709</u>
Vocational Education-Basic Grants to States	V048A180046	84.048	17,525
			<u>\$ 1,225,110</u>

(Continued)

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED
 COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
 COMPONENT UNIT - SCHOOL BOARD
 June 30, 2022

Federal Granting Agency / Recipient State Agency Grant Program	Pass-through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Justice			
Pass-through programs:			
Virginia Department of Criminal Justice:			
Byrne Justice Assistance Grant		16.738	\$ 2,058
Byrne Justice Assistance Grant Local Law Enforcement Block (LOLE) FFY1	2019-MU-BX-0026	16.738	2,192
Byrne Justice Assistance Grant Local Law Enforcement Block (LOLE) FFY2	2020-MU-BX-0035	16.738	2,232
Federal Awardee: OJP			
Coronavirus Emergency Supplemental Funding (CESF) CY22	2020-VD-BX-0141	16.034	5,475
			<u>\$ 11,957</u>
National Endowment for the Arts & Humanities			
Pass through payments:			
Institute of Museum and Library Services			
Commonwealth of Virginia, Library of Virginia	LS-250242-OLS-21	45.310	20,993
			<u>\$ 20,993</u>
U.S. Department of Homeland Security			
Pass-through programs:			
Virginia Department of Emergency Management:			
2021 Local Emergency Management Performance Grant		97.042	7,500
			<u>\$ 7,500</u>
			<u><u>\$ 2,655,468</u></u>

CITY OF POQUOSON, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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, 2022, the food service organization had food commodities totaling \$18,010 in inventory.

3. Relationship to the Financial Statements

Revenues from federal awards are reported in the City's basic financial statements as follows:

General Fund	\$ 144,823
Schools	2,459,488
Donated commodities	<u>51,157</u>
Total federal awards reported in the basic financial statements	<u>\$ 2,655,468</u>

4. Subrecipients

The City does not have any subrecipients.

5. Indirect Cost Rate

The City does not elect to use a 10% de minimis indirect cost rate allowed under Section 2 CFR 200.331(a)(4).

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the City Council of
City of Poquoson, Virginia
Poquoson, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the City of Poquoson, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 9, 2022

CITY OF POQUOSON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2022

As more fully described in the Independent Auditor's 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*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

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

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

CITY OF POQUOSON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. The audit disclosed no audit findings related to the major program.
7. The programs tested as major was:

<u>Name of Program</u>	<u>Assistance Listing Number</u>
Child Nutrition Cluster:	
National School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

10. The threshold used to distinguish between Type A and Type B programs is \$750,000.
11. The City was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS

None noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None noted.

D. FINDINGS - COMMONWEALTH OF VIRGINIA

None noted.

E. PRIOR YEAR FINDINGS

None noted.

