

CITY OF
POQUOSON
VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR JULY 1, 2018 – JUNE 30, 2019

***Comprehensive Annual
Financial Report***

City of Poquoson, Virginia

Fiscal Year Ended June 30, 2019

Prepared by:

The Department of Finance

Tonya O'Connell, CPA, Director of Finance

City of Poquoson, Virginia
Government Officials

City Council

W. Eugene Hunt, Jr., Mayor
Carey L. Freeman, Vice Mayor
Jana D. Andrews
Thomas J. Cannella, II
Herbert R. Green, Jr.
Charles M. Southall, III
David A. Hux

City Officials

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

School Board

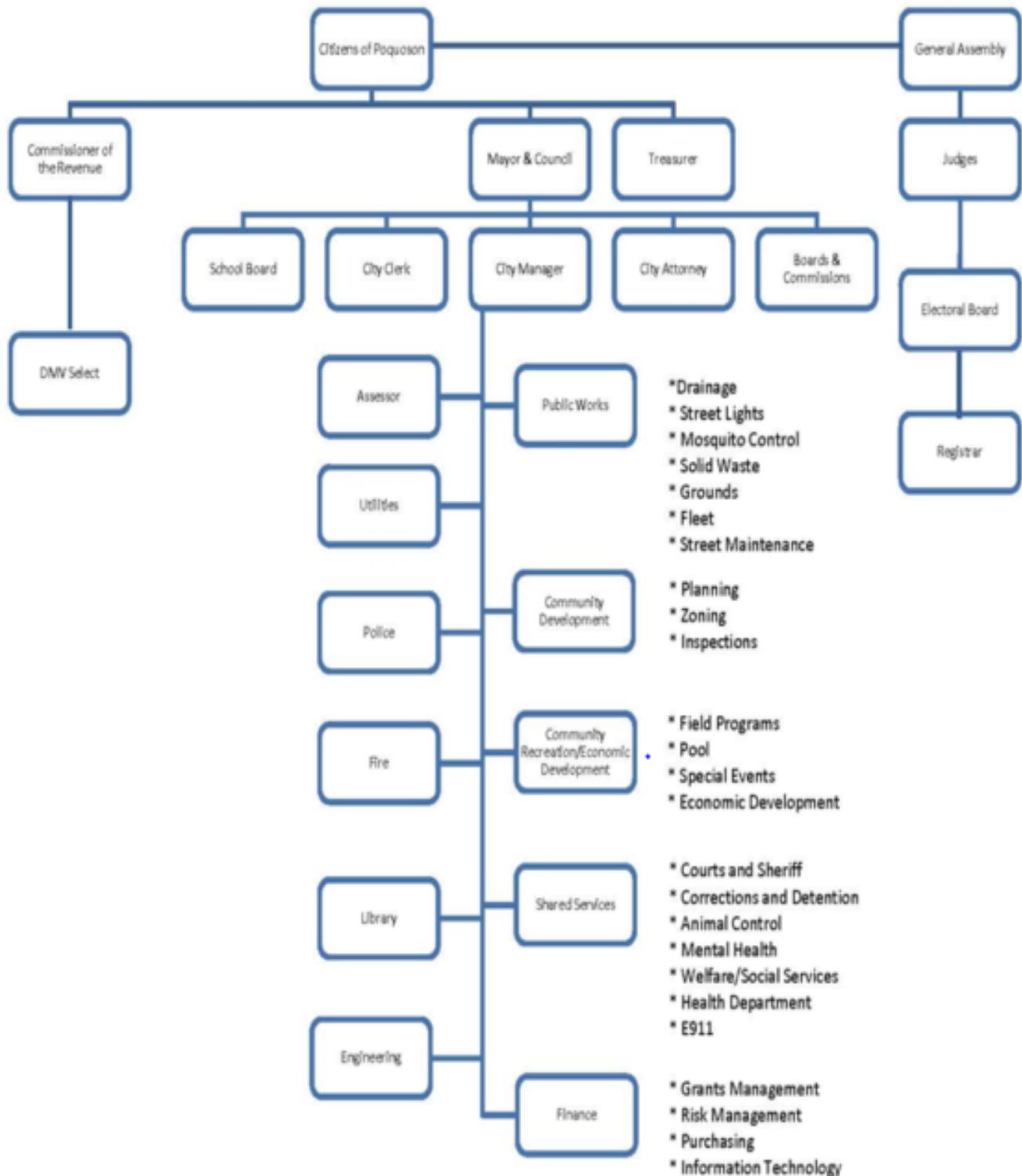
Garry W. Carter, Chairman
Michelle B. Sheeler, Vice Chair
Craig L. Freeman
Christina F. Helsel
Wayne E. Holcomb
Jeremiah P. Jordan
Michael H. Troutman

School Officials

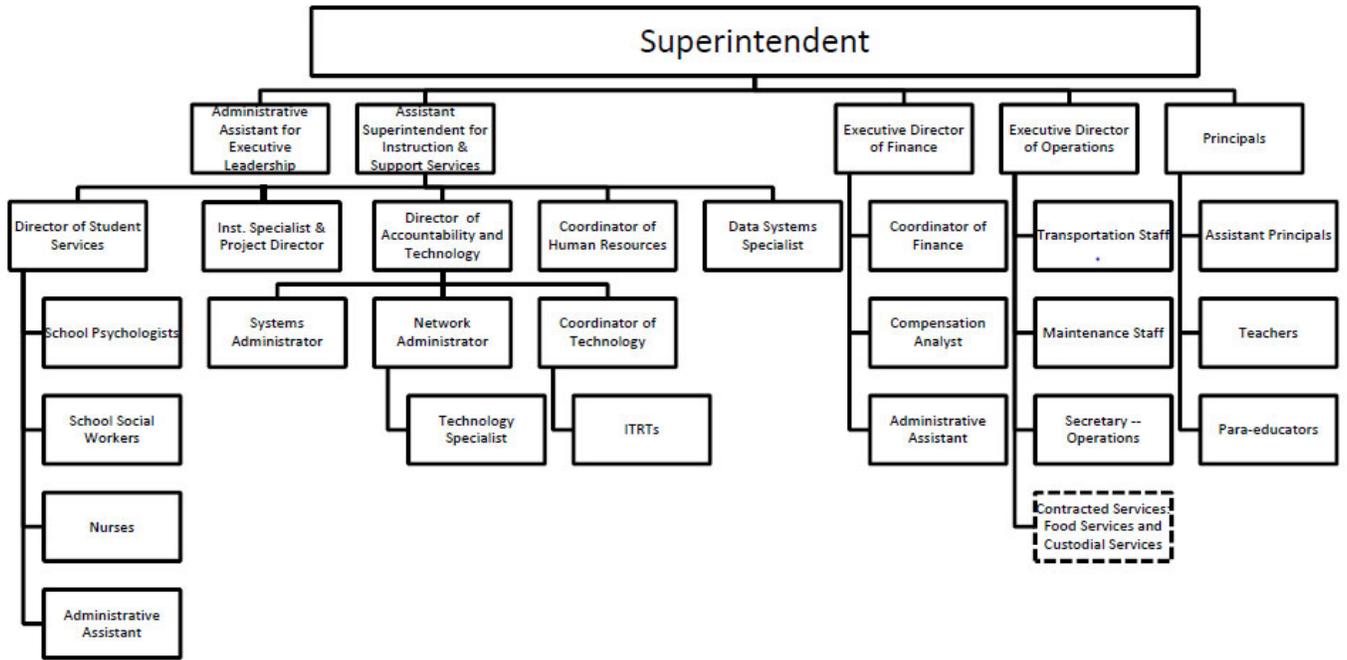
Jennifer Parish, Ed.D., Superintendent
Antonia Fox, Ed.D., Assistant Superintendent for Instruction and Support Services
Brandon Ratliff, Ed.D., Director of Accountability, Student Achievement and Technology
Tara Woodruff, Executive Director of Finance
Steven Pappas, Executive Director of Operations

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 Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Poquoson, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019

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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

November 25, 2019

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson, Virginia (City) for the fiscal year ended June 30, 2019. An audited annual financial report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with Generally Accepted Accounting Principles 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.

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

Cherry Bekaert LLP, Certified Public Accountants, has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2019. The unmodified report of Cherry Bekaert LLP, 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 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.

U.S. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City'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 to include 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 state school and formulas for partial funding. The City must provide all capital improvement funds, pay debt on school projects, and provide any additional operating funds required, but not provided by the State Education Board 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; contracts for trash pick-up and disposal, recycling, landscaping and bulky items; owns and operates a City pool; and manages various paid recreational activities. In addition to general governing activities, the governing body has significant financial influence over the 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 starting on page 30.

The annual budget serves as the foundation for the City of Poquoson's financial planning and control. All agencies and departments of the City of Poquoson are required to submit requests for appropriation to the City Manager in January. The City Manager uses these

requests as the starting point for developing a proposed budget. The City Manager presents a proposed budget to City Council for review in April. The Council is required to hold public hearings on the proposed budget and must adopt a final budget no later than May 31. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a 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 86 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 on 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 12,320.

The City remains stable in sales, real estate and personal property taxes. The assessed value of property within the City grew by 3% over the previous year. Sales of property continue to trend in a positive direction.

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 2018 had a decrease from the prior year by 0.2% to 2.5%. The City's unemployment rate is below the current national average of 3.7% and the state average of 2.8% 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.

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 CCIP; 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.

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 U.S. GAAP. 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 18.1% of budget expenditures, well above the adopted policies.

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 one-page informational overviews of the City’s business-friendly focus, single and multi-family residential availability, community engagement opportunities, and its outstanding public school system.

The Poquoson Police Department held its first National Night Out which allowed for the department to continue building relationships with the community. Due to the overwhelming success, the department will continue with the annual event which happens during the month of August of each year.

In fiscal years 2018 and 2019, several development projects were reported as approved with construction commencing in both 2018 and 2019. As of the end of summer, a total of 26 homes are now constructed in the Village Park development. A total of 14 units have certificates of occupancy out of the 28 housing units in Rubus Run (formerly named “Firth Lane Townhomes”) development in the City’s central precinct. Currently 10 units are under construction with four remaining to be constructed.

Additionally, a total of four certificates of occupancy have been issued for single-family homes in the 10-lot Drake’s Landing Subdivision located in the City’s western precinct. Currently one permit is open for the above mentioned subdivision. Construction has not yet commenced on the two additional mixed-use buildings in Phase II of the Fountains of Poquoson. The developer did obtain approval from City Council at its April 8, 2019 meeting to extend the time to complete Phase II until September 2021 or the Conditional Use Permit shall become null and void. Site plans for Phases III and IV of the development have not yet been submitted for approval. There has been much conversation with the developer and plans for the ultimate buildout may change. As for now, the entire Fountains of Poquoson development, located in the City’s Village Commercial district, will yield five mixed-use structures and one stand-alone commercial building and 18 townhomes.

The City has received plans for two developments; Quarter Creek Subdivision providing 33 homes and Wythe Creek Estates which will provide 19 homes and a new sewer pump station, both in the central precinct. The City is also processing requests related to the Legacy of Poquoson development. Two reviews by staff and substantial comments remain on the site plan for Phase I of the Legacy of Poquoson development. There will be 146 townhome and family residences contained with Phase I.

The City completed two Hazard Mitigation Grants and one Flood Mitigation Assistance Grant to elevate a total of 14 homes in the City. The grants provided by the Federal Emergency Management Agency through Virginia Department of Emergency Management provided the City with resources to reduce or possibly eliminate the risk of repetitive flood damage to building and structures insurable under the National Flood Insurance Program. In addition, homeowners saved on their annual flood insurance premiums during the annual renewal process based on the new elevations.

The City also completed a Hazard Mitigation Grant to install two emergency generators at Pump Station #7 (Little Florida Road) and #10 (Ridge Road). The City also took necessary steps to prepare for future storms by installing emergency generators at Pump Station #8 (Poquoson Avenue) and #11 (Odd Road).

The City continues to work with the City of Hampton, Virginia (Hampton) and the Virginia Department of Transportation on the Wythe Creek Road widening project. This project will widen the street to three lanes for travel to and from the City of Hampton. The project also includes elevating the bridge over the causeway at the Poquoson/Hampton line. The elevation will provide an additional evacuation route out of the City during a flood event. The design, permitting, and right of way purchase work on this project is almost complete. Utility relocations required to accommodate the project are underway.

Poquoson is working on several other road projects. Wythe Creek Road repaving was completed in December 2018. The Poquoson Avenue sidewalk project and the Wythe Creek Road Traffic Signal Upgrade projects are both currently under design. The design of a South Lawson Park Walking Trail project is slated to begin in October 2019. The City recently competed for and received approval for \$3.7 million dollars in Virginia Department of Transportation Smart Scale Funding. This funding will be used to provide access control, shoulder improvements, and a multi-use trail on Victory Boulevard.

A new breakwater project was completed at Messick Point in August 2019. The wave curtain wall is the third structure protecting shoreline infrastructure. Combined, the three walls will measure over 500 linear feet in length.

Awards and Acknowledgements

In its May 2019 Best Of Virginia Special Edition, Virginia Living Magazine recognized the Poquoson Seafood Festival as one of the Top 3 Food Festivals in Eastern Virginia, the only Hampton Roads Festival to make the Top 3.

The City's Library remained ranked 1st in circulation per capita and ranked 2nd in both library visits per capita and program attendance among the 15 public libraries in the Tidewater area. In addition, the Library received Outstanding Cooperative Program awarded by the Virginia Public Library Directors Association for work on the Tidewater Reads Initiative with 6 other regional libraries.

The City's Fire Department confirmed 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. The ISO plays an important role in the cost of insurance to homeowners and it's the intent of the department to receive a Class 1 rating.

The City was ranked 8th among Safest Places to Live in Virginia by The Home Security Advisor and 8th Healthiest of Virginia's 133 counties and cities by Population Health Institute.

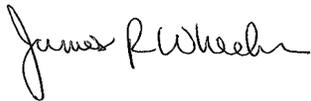
Once again, Poquoson Public School Division was fully accredited by the Virginia Board of Education, meaning the School Division and each school met standards of learning benchmarks in reading, writing, math, science, and attendance, and the high school met benchmarks for graduation and completion rates. Additionally, the School Division received the 2019 Virginia Board of Education Distinguished Achievement Award.

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Poquoson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the 31st consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both U.S. 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.

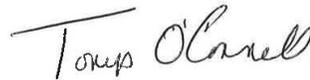
The City also received the GFOA's Award for *Distinguished Budget Presentation* for its Annual Adopted Budget for FY 2019 for the 27th consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including 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, the Commissioner of the Revenue's office and the Treasurer's office. Credit also must be given to City Council for their unfailing support for maintaining the highest standards in the management of the City finances.

Respectfully submitted,



James R. Wheeler
City Manager



Tonya A. O'Connell, CPA
Director of Finance

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Report of Independent Auditor

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

Report on the Financial Statements

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 (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Other Information

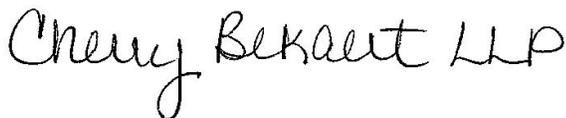
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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.



Virginia Beach, Virginia
November 25, 2019



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, 2018 - June 30, 2019

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 for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages ix through xv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of June 30, 2019 by \$32.8 million (net position). Of this amount, \$5.4 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3.3 million. The unrestricted net position increased by \$1.6 million and the revenue stabilization reserve increased by \$.09 million which is over and above the unrestricted net position. The total of the revenue stabilization reserve is \$0.69 million.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$28.9 million, of which \$5.4 million is available to spend at the City's discretion. The ending fund balances increased from last year by \$18.8 due mainly to the bond financing in July of 2018.
- As of June 30, 2019, unassigned fund balance for the General Fund was \$5.4 million or 20.7% of total General Fund expenditures. The unassigned fund balance exceeds the fund balance policies by 5.7%.
- The City's total debt outstanding at June 30, 2019 was \$43.4 million for all funds. The City issued debt in the amount of \$18 million in fiscal year 2019 to begin the modernization of the Poquoson Middle School and various equipment replacement.
- 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 \$1.1 million. An increase in fund balance of \$.07 million which will be used to offset future debt service.

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 (known as the primary government), but also a legally separate school system, Poquoson City Public Schools (PCPS or Schools), 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, including the Grant Fund, the Debt Service Fund, and the Capital Projects Fund. The governmental funds financial statements can be found on Exhibits C and D of this report.

The City 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 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 the Friends of the Library, 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 fund statement can be found on Exhibit H of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-85 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City including financial information on the Poquoson Public School component unit. Supplementary information can be found on pages 104-111 of this report.

Government-Wide Financial Analysis

Summary of Statement of Net Position June 30, 2019

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and other assets	\$30,442,419	\$11,560,210	\$3,418,813	\$3,182,853	\$33,861,232	\$14,743,063
Capital assets	40,873,832	41,486,661	10,940,106	11,104,752	51,813,938	52,591,413
Total assets	71,316,251	53,046,871	14,358,919	14,287,605	85,675,170	67,334,476
Deferred Outflows of Resources	2,541,079	2,526,237	134,733	166,181	2,675,812	2,692,418
Total assets and deferred outflows of resources	\$73,857,330	\$55,573,108	\$14,493,652	\$14,453,786	\$88,350,982	\$70,026,894
Current and other liabilities	\$4,599,449	\$4,245,984	\$689,442	\$655,613	\$5,288,891	\$4,901,597
Long-term liabilities	43,809,338	27,766,143	5,427,964	5,998,591	49,237,302	33,764,734
	48,408,787	32,012,127	6,117,406	6,654,204	54,526,193	38,666,331
Deferred Inflows of Resources	992,121	1,753,913	39,907	70,316	1,038,028	1,824,229
Total liabilities and deferred inflows of resources	49,400,908	33,766,040	6,157,313	6,724,520	55,558,221	40,490,560
Net investment in capital assets	\$2,081,923	\$18,989,419	\$5,201,957	\$4,865,391	\$7,283,880	\$23,854,810
Restricted	20,119,972	1,873,326	-	-	20,119,972	1,873,326
Unrestricted	2,254,527	944,323	3,134,382	2,863,875	5,388,909	3,808,198
Total net position	\$24,456,422	\$21,807,068	\$8,336,339	\$7,729,266	\$32,792,761	\$29,536,334

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$32.8 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 \$7.3 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 assets of \$5.4 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.

- Governmental Activities.** The government's net position increased by \$3.3 million during FY 2019. The governmental activities increased by \$2.6 million and the business-type activities increased by \$0.6 million. The increase in governmental activities is due to increased tax revenue related to increased tax rate, accrued interest, and the cost savings from vacant position. The increase of the net position of the business-type activities is due to less than expected expenses in the Sewer Fund.

Summary of Changes in Net Position
June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Revenues:						
Program revenues:						
Charges for services	\$1,159,134	\$1,079,636	\$2,880,048	\$2,941,696	\$4,039,182	\$4,021,332
Operating grants and contributions	1,707,679	1,752,658	-	-	1,707,679	1,752,658
Capital grants and contributions	1,558,876	2,059,956	151,952	-	1,558,876	2,059,956
General revenues:						
Real estate and personal property taxes	21,138,678	19,693,437	-	-	21,138,678	19,693,437
Other local taxes	2,868,532	2,964,540	-	-	2,868,532	2,964,540
Personal property tax relief	1,923,431	1,923,431	-	-	1,923,431	1,923,431
Reimbursements from other agencies	152,346	139,561	-	-	152,346	139,561
Miscellaneous	607,862	548,204	4,575	9,280	610,833	557,484
Unrestricted investment earnings	362,288	283,557	47,586	35,208	561,926	318,765
Total revenues	31,478,826	30,444,980	3,084,261	2,986,184	34,563,087	33,431,164
Expenses:						
General government	3,305,464	4,152,443	-	-	3,305,464	4,152,443
Public safety and judicial	7,119,909	7,136,755	-	-	7,119,909	7,136,755
Public works	2,081,748	2,108,673	-	-	2,081,748	2,108,673
Health and welfare	1,190,360	1,303,164	-	-	1,190,360	1,303,164
Education	10,534,422	10,249,813	-	-	10,534,422	10,249,813
Parks, recreation, cultural	1,762,160	1,647,715	-	-	1,762,160	1,647,715
Economic Development Authority	16,417	5,000	-	-	16,417	5,000
Community development	1,095,080	2,046,826	-	-	1,095,080	2,046,826
Interest and fees on long-term debt	1,922,059	1,081,173	-	-	1,922,059	1,081,173
Sewer	-	-	1,462,941	1,439,188	1,464,979	1,439,188
Solid waste	-	-	816,100	756,231	816,287	756,231
Total expenses	29,027,619	29,731,562	2,279,041	2,195,419	31,306,660	31,926,981
Change in net assets before transfers	2,451,207	713,418	805,220	790,765	3,256,427	1,504,183
Transfers	198,147	200,000	(198,147)	(200,000)	-	-
Increase in net position	2,649,354	913,418	607,073	590,765	3,256,427	1,504,183
Net position, beginning of year- (restated)	21,807,068	20,893,650	7,729,266	7,138,501	29,536,334	28,032,151
Net position, end of year	\$24,456,422	\$21,807,068	\$8,336,339	\$7,729,266	\$32,792,761	\$29,536,334

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

	FY 2019	FY 2018
Real estate tax revenue	\$17,910,303	\$16,608,963
Public service corporation taxes	262,580	253,993
Personal property taxes	2,843,129	2,531,679
Penalties and interest	122,666	143,018
Total	\$21,138,678	\$19,693,437

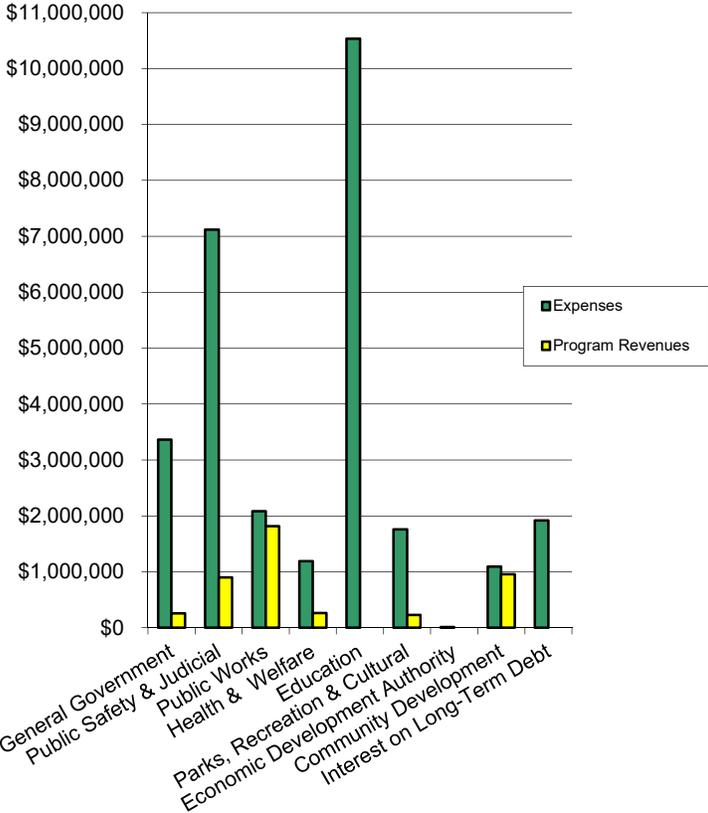
Real estate revenue was higher in FY 2019 as compared to FY 2018 due to a tax increase of \$0.07 at the beginning of fiscal year 2019. The City's real estate property tax assessments were \$1,597,471,000 and \$1,582,741,600 for FY 2019 and FY 2018, respectively. The City's real estate tax rate was \$1.14 per \$100 of assessed value in FY 2019 as compared to \$1.07 per \$100 assessed value in FY 2018.

The City's personal property tax assessments were \$126,482,991 and \$119,568,480 for FY 2019 and FY 2018, respectively. In FY 2019 and FY 2018, the City's personal property tax rate was \$4.15 per \$100 of assessed value for 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 2019 and FY 2018. In FY 2019 and FY 2018, 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, the state's share of local personal property tax was \$1,923,431 for FY 2019 and FY 2018.

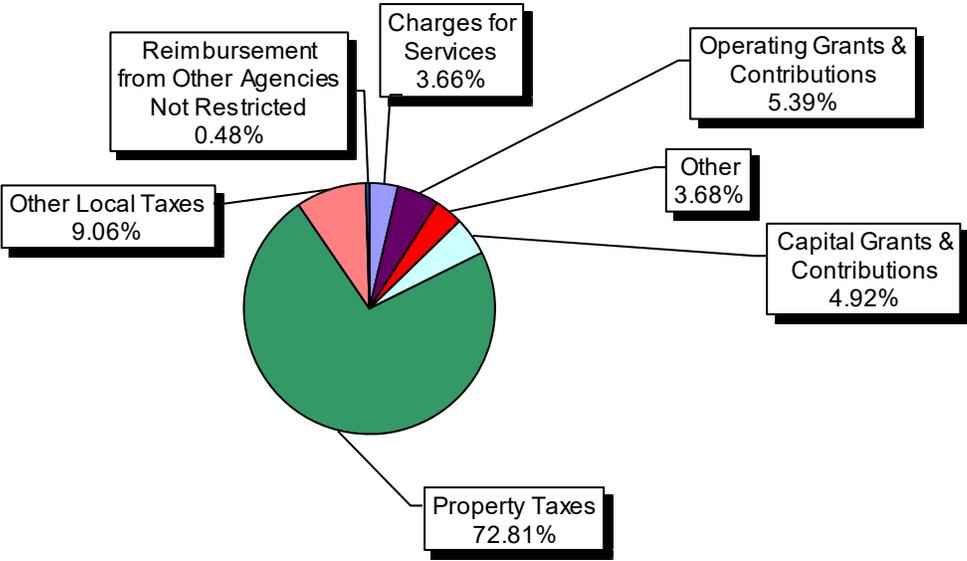
Other local taxes were \$2.9 million for both FY 2019 and FY 2018 and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes, and a variety of other taxes.

For FY 2019, expenses for governmental activities totaled \$29.0 million, including an expense of \$10.5 million to the component unit, Poquoson City Public Schools. For FY 2018, expenses for governmental activities totaled \$29.7 million, including a net payment of \$10.2 million to the to the component unit, Poquoson City Public Schools.

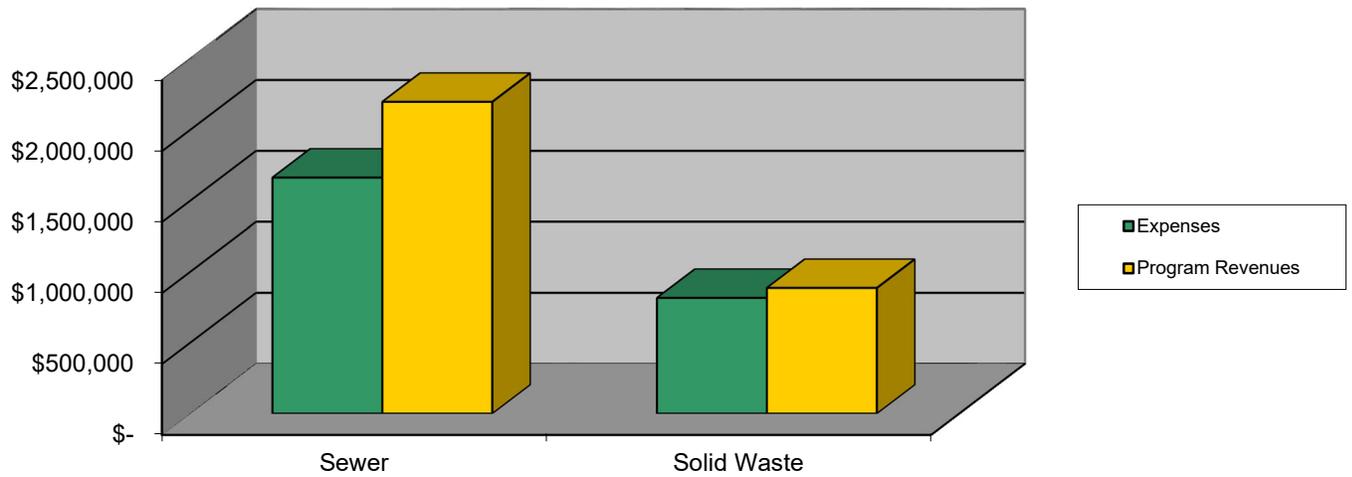
Expenses and Program Revenues - Governmental Activities



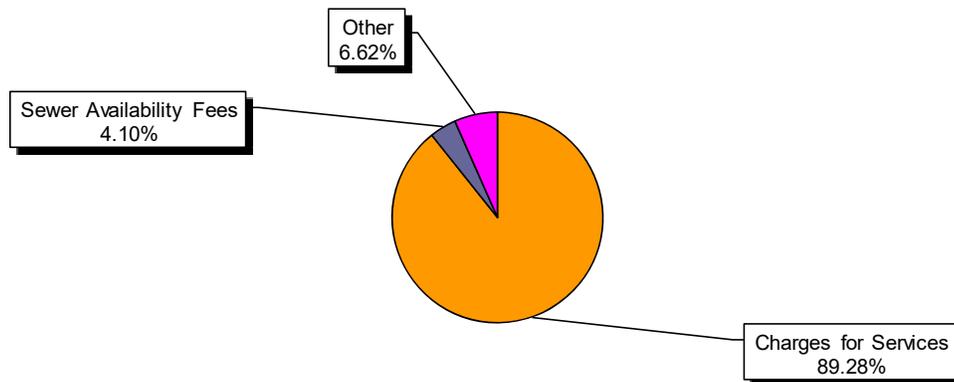
Revenues by Sources - Governmental Activities



Expense and Program Revenues - Business-type Activities



Revenues by Source - Business-Type Activities

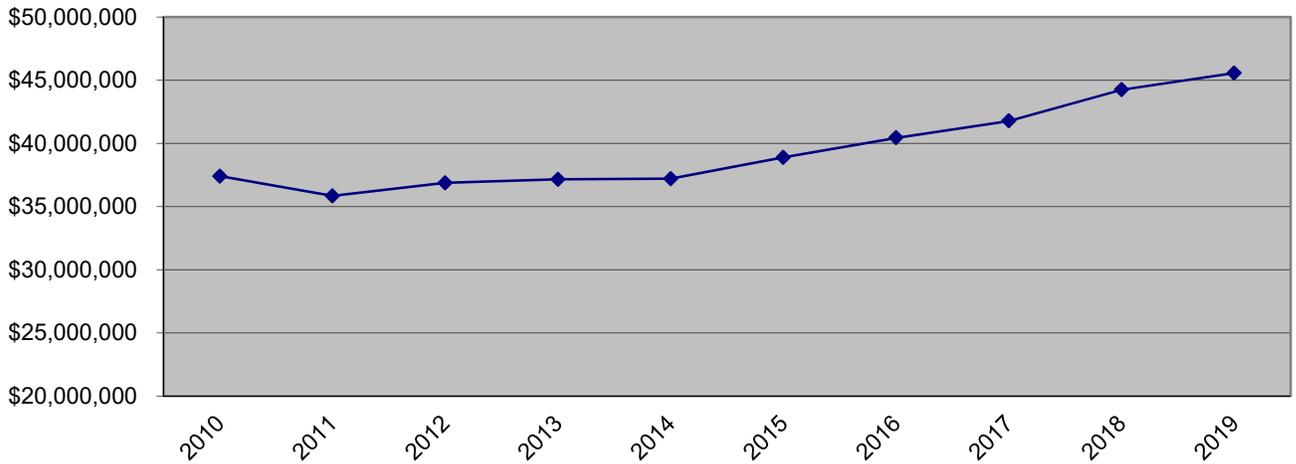


Business-Type Activities. Business-type activities increased the City’s net position before transfers by \$.81 million and increased the net position by \$.61 million after transfers. This increase in net position can be attributable to increased revenue related to change in trash service and funds received for a mitigation grant through the Commonwealth.

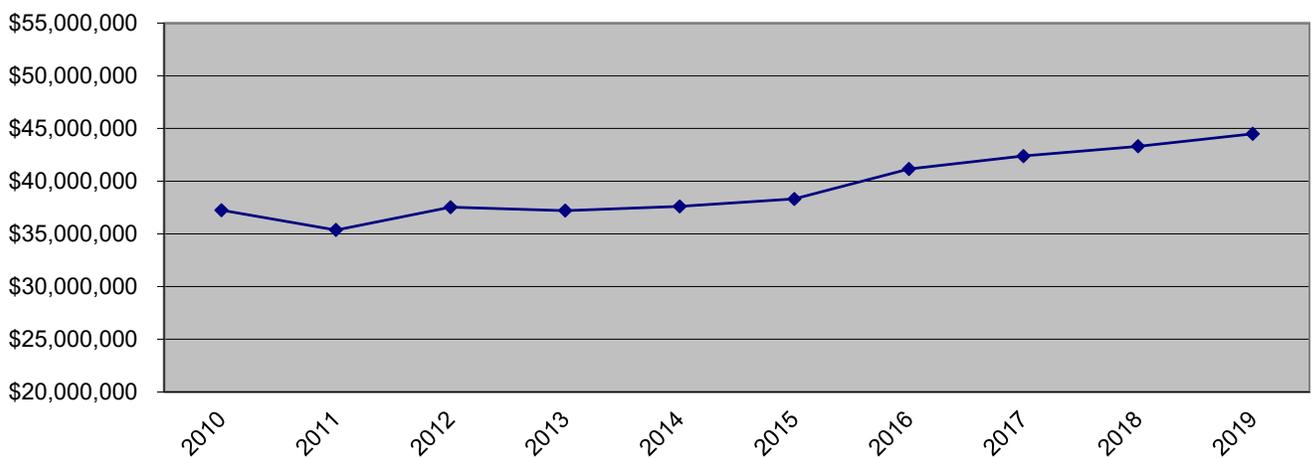
Financial Analysis of the Government's Funds

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

General Governmental Revenues



General Governmental Expenditures



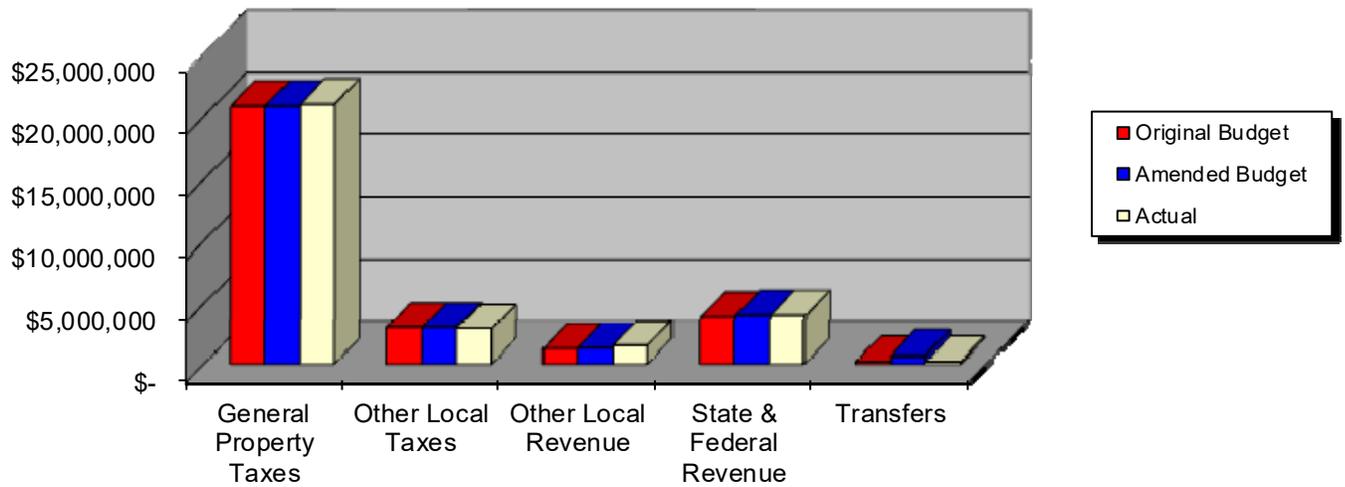
General Fund Budgetary Highlights

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-U.S. GAAP budgetary expenditures are reconciled to the U.S. GAAP statements. The budget differences of \$0.71 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$.11 million additional transfer to the PCPS for the prior year unspent transfer to enhance safety and security in the school buildings which included vestibules at the entrances at both the high school and primary school.
- \$.07 million re-appropriation of restricted revenue received for the departments of Police, Fire, Parks, Recreational and Tourism, and Library.
- \$.10 million appropriation for various grants for public safety.
- \$.01 million appropriation for donations received for various departments.
- \$.42 million appropriation of fund balance to increase the fiscal stability revenue, transfers to Capital Project and OPEB Trust funds, and additional compensation to full-time employees.

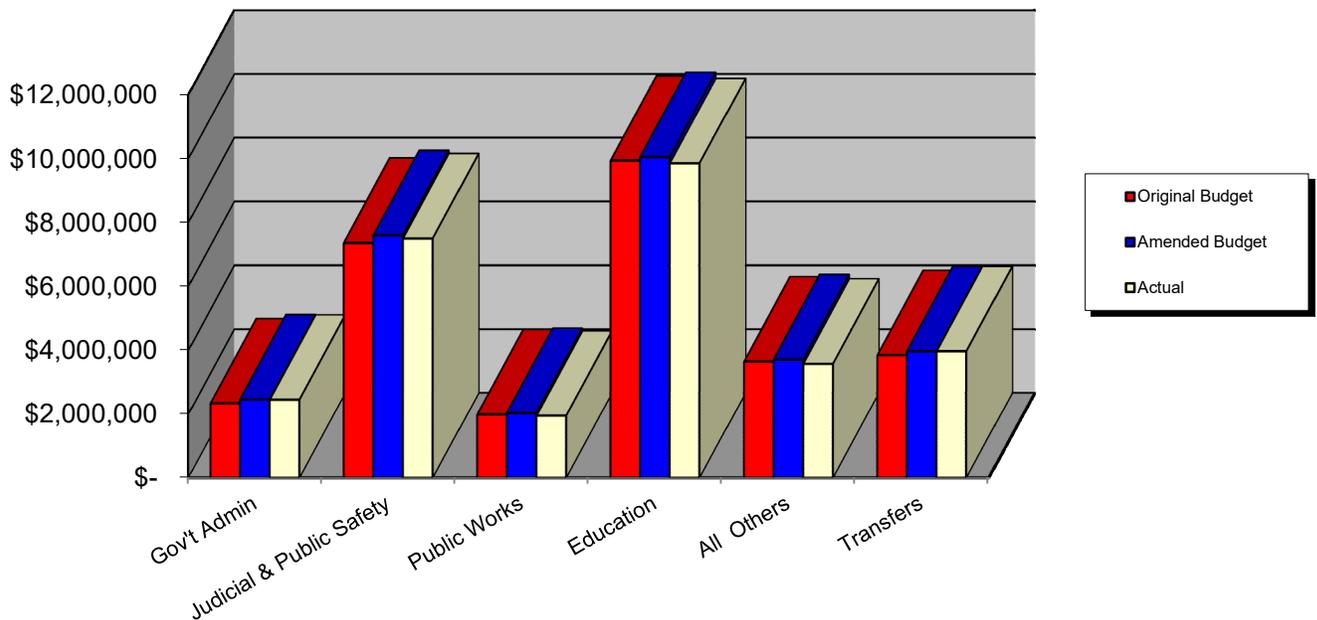
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues of \$29.5 million exceeded the original budget by \$0.5 million and was less than the amended budget by \$0.3 million, respectively. It should be noted that the City budgeted \$0.4 million for use of fund balance; which is not included in the actual revenue for General Fund. In FY 2019, the City had an increase in taxes received on personal property and use of funds held by banking institutions.

General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$30.0 million were less than the amended budget by \$0.5 million and slightly higher than the original budget by \$0.3 million. The decrease in expenditures from the amended budget is a result of costs saving through departmental vacancies and reduction in operating expenditures.

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 2019, capital projects of \$1.3 million included HVAC replacements at City Hall, improvements to the breakwater at Messick Point, replacement equipment of a school bus, and a fire apparatus. It also included costs for highway and drainage improvements.

Capital Assets and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$52 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 assets to the City, if the City has outstanding debt on the school building.

The following table summarizes capital assets, net of depreciation:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY 2019	FY 2018*	FY 2019	FY 2018	FY 2019	FY 2018
Land	\$3,004,720	\$3,004,720	\$217,666	\$217,666	\$3,222,386	\$3,222,386
Land Improvements	1,976,179	1,650,411	-	-	1,976,179	1,650,411
Construction in progress	401,911	1,069,430	-	28,918	401,911	1,098,348
Buildings*	4,687,719	5,041,447	111,847	119,563	4,799,566	5,161,010
Building Improvements*	336,904	180,130	-	-	336,904	180,130
Infrastructure	7,194,218	7,368,381	-	-	7,194,218	7,368,381
Machinery and equipment	2,427,574	2,101,376	895,367	453,362	3,322,941	2,554,738
Sewer system	-	-	9,715,226	10,278,243	9,715,226	10,278,243
Allocated school buildings	20,844,607	21,070,766	-	-	20,844,607	21,070,766
Total	\$40,873,832	\$41,486,661	\$10,940,106	\$11,097,752	\$51,813,938	\$52,584,413

*For 2019 reporting purposes, Buildings were separated into Buildings and Building Improvements.

Debt Administration. Total outstanding general obligation debt at June 30, 2019 was \$43.4 million of which \$38.0 million is considered to be net direct tax supported debt. Included in the total debt are \$37.8 million in bonds and \$0.2 million leases. The remaining \$5.4 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 resulted in a planned increase of \$.07 million to offset future debt service related to the bond issuance in July 2018 of \$18.07 million.

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, 2019 debt limitation for the City is \$162.0 million, which is significantly in excess of the City’s \$43.2 million outstanding net direct bonded debt.

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

	FY 2019	FY 2018
Net direct bonded debt	\$37,882,586	\$21,984,586
Ratio of outstanding direct debt to assessed value	2.37%	1.39%
Net debt per capita	\$2,553	\$1,786

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

Economic Factors and Next Year’s Budgets and Rates

The FY 2020 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2020 adopted budget maintained the real estate tax rate of \$1.14 per \$100 of assessed value.
- The FY 2020 adopted budget accounted for a modest increase for real estate tax revenue based on new homes at the beginning of fiscal year 2019.
- The FY 2020 adopted budget contains an average increase in the bi-monthly solid waste fees of \$10.00 due to the significant cost increases associated with curbside recycling.
- The FY 2020 adopted budget contains a reduction in the bi-monthly sewer fees of \$4.00 to mitigate the cost to residents for curbside recycling.
- The FY 2020 adopted budget continued the funding for the other postemployment benefits for eligible employees who retire from the City and the second contribution to the trust held by VACo/VML Pooled OPEB Trust.
- In FY 2020, expenditure increases included for salary increases, related fringe benefits, and health insurance.

- The FY 2020 adopted budget includes a net decrease in the reserve for debt service fund of \$25,000 based on the planned use of the fund.
- The FY 2020 adopted budget includes planned use of Solid Waste Fund Balance to purchase a debris truck.
- In FY 2020, the PCPS contribution was increased by \$211,284 due to increase in expenditures to include pay increase, related fringe benefits, health insurance, and two additional positions to support the new vestibules in two schools.

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
Director of Finance
500 City Hall Avenue
Poquoson, Virginia 23662

Basic Financial Statements

Statement of Net Position

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 6,483,033	\$ 3,012,063	\$ 9,495,096	\$ 2,867,842
Restricted cash and investments	20,119,972	-	20,119,972	316,547
Property taxes receivable, net	494,786	-	494,786	-
Other receivables, net	52,736	399,781	452,517	1,919
Due from component units	209,731	-	209,731	-
Notes receivable, component unit	1,647,904	-	1,647,904	-
Due from other governmental units	1,356,339	-	1,356,339	290,212
Inventory	18,690	6,180	24,870	20,701
Notes receivable	59,228	789	60,017	-
Capital assets				
Non-depreciable	3,406,631	217,666	3,624,297	2,781,821
Depreciable, net	37,467,201	10,722,440	48,189,641	4,724,013
Total assets	71,316,251	14,358,919	85,675,170	11,003,055
Deferred Outflows of Resources				
Deferred outflows related to pension	856,251	34,750	891,001	2,381,588
Deferred outflows related to OPEB	504,698	19,123	523,821	470,520
Deferred refunding costs	1,185,552	80,860	1,266,412	-
Total deferred outflows of resources	2,546,501	134,733	2,681,234	2,852,108
Total assets and deferred outflows of resources	\$73,862,752	\$14,493,652	\$88,356,404	\$13,855,163
Liabilities				
Accounts payable and accrued liabilities	\$ 1,141,052	\$ 76,518	\$ 1,217,570	\$ 2,371,644
Accrued interest	590,544	72,071	662,615	14,087
Due to Primary Government	-	-	-	1,857,635
Internal balances	26,000	(26,000)	-	-
Noncurrent liabilities				
Due within one year	2,841,853	566,853	3,408,706	82,452
Due in more than one year				
Long-term liabilities	39,758,614	5,269,187	45,027,801	310,176
Net pension liability	1,680,707	68,208	1,748,915	17,115,000
Net OPEB liability	2,370,017	90,569	2,460,586	3,040,137
Total liabilities	48,408,787	6,117,406	54,526,193	24,791,131
Deferred Inflows of Resources				
Deferred inflows related to pension	755,346	30,654	786,000	2,253,000
Deferred inflows related to OPEB	242,197	9,253	251,450	209,314
Total deferred inflows of resources	997,543	39,907	1,037,450	2,462,314
Net Position (Deficit)				
Net investment in capital assets	2,081,923	5,201,957	7,283,880	5,857,930
Restricted for:				
Capital projects	18,973,986	-	18,973,986	-
OPEB	242,359	-	242,359	-
Education	-	-	-	316,547
Public safety	83,037	-	83,037	-
Parks, recreation, and cultural	28,136	-	28,136	-
Revenue stabilization	687,373	-	687,373	-
Community development	105,081	-	105,081	-
Unrestricted (deficit)	2,254,527	3,134,382	5,388,909	(19,572,759)
Total net position (deficit)	24,456,422	8,336,339	32,792,761	(13,398,282)
Total liabilities, deferred inflows of resources, and net position (deficit)	\$73,862,752	\$14,493,652	\$88,356,404	\$13,855,163

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

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position			
	Expenses	Charges For Services	Operating	Capital	Primary Government			Component Units
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Government activities								
General government and administration	\$ 3,305,464	\$ 256,084	\$ -	\$ -	\$ (3,049,380)	\$ -	\$ (3,049,380)	\$ -
Public safety and judicial	7,119,909	494,512	404,837	-	(6,220,560)	-	(6,220,560)	-
Public works	2,081,748	-	880,000	937,803	(263,945)	-	(263,945)	-
Health and welfare	1,190,360	-	266,593	-	(923,767)	-	(923,767)	-
Education	10,534,422	-	-	-	(10,534,422)	-	(10,534,422)	-
Parks, recreation, and cultural	1,762,160	80,480	150,042	-	(1,531,638)	-	(1,531,638)	-
Economic Development Authority	16,417	-	-	-	(16,417)	-	(16,417)	-
Community development	1,095,080	328,058	6,207	621,073	(139,742)	-	(139,742)	-
Interest and fees on long-term debt	1,922,059	-	-	-	(1,922,059)	-	(1,922,059)	-
Total governmental activities	29,027,619	1,159,134	1,707,679	1,558,876	(24,601,930)	-	(24,601,930)	-
Business-type activities								
Sewer	1,462,941	1,993,534	151,952	-	-	682,545	682,545	-
Solid waste	816,100	886,514	-	-	-	70,414	70,414	-
Total business-type activities	2,279,041	2,880,048	151,952	-	-	752,959	752,959	-
Total Primary Government	\$ 31,306,660	\$ 4,039,182	\$ 1,859,631	\$ 1,558,876	(24,601,930)	752,959	(23,848,971)	-
Component Units								
Poquoson Public Schools	\$ 23,093,581	\$ 833,165	\$ 11,205,681	\$ -	-	-	-	(11,054,735)
Economic Development Authority	71,243	17,349	-	-	-	-	-	(53,894)
Total component units	\$ 23,164,824	\$ 850,514	\$ 11,205,681	\$ -	-	-	-	(11,108,629)
General Revenues								
Real estate and personal property taxes					21,138,678	-	21,138,678	-
Other local taxes					2,868,532	-	2,868,532	2,267,928
Personal property tax relief from Commonwealth of Virginia					1,923,431	-	1,923,431	-
Payments from the City of Poquoson					-	-	-	9,867,806
Reimbursements from other agencies not restricted to specific programs					152,346	-	152,346	-
Miscellaneous					607,862	4,575	612,437	(42,008)
Unrestricted investment earnings					362,288	47,686	409,974	-
Transfers					198,147	(198,147)	-	-
Total general revenues, transfers, and miscellaneous					27,251,284	(145,886)	27,105,398	12,093,726
Change in net position					2,649,354	607,073	3,256,427	985,097
Net position (deficit), beginning of year					21,807,068	7,729,266	29,536,334	(14,383,379)
Net position (deficit), end of year					\$ 24,456,422	\$ 8,336,339	\$ 32,792,761	\$(13,398,282)

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

Balance Sheet - Governmental Funds**June 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and investments	\$ 4,991,162	\$ 1,109,526	\$ 324,695	\$ 6,425,383
Restricted cash and investments	1,145,986	-	18,973,986	\$ 20,119,972
Property taxes receivable, net	494,786	-	-	494,786
Other receivables	52,610	-	-	52,610
Notes receivable	59,228	-	-	59,228
Due from component units	209,731	-	-	209,731
Notes receivable, component unit	1,647,904	-	-	1,647,904
Due from other governmental units	1,148,175	-	208,164	1,356,339
Total assets	\$ 9,749,582	\$ 1,109,526	\$ 19,506,845	\$ 30,365,953
Liabilities				
Accounts payable and accrued liabilities	\$ 862,053	\$ -	\$ 250,930	\$ 1,112,983
Due to sewer fund	26,000	-	-	26,000
Total liabilities	888,053	-	250,930	1,138,983
Deferred Inflows of Resources				
Unavailable revenue - property taxes	345,924	-	-	345,924
Fund Balances				
Fund balances:				
Nonspendable	1,707,132	-	-	1,707,132
Restricted	1,145,986	-	18,973,986	20,119,972
Assigned	272,967	1,109,526	281,929	1,664,422
Unassigned	5,389,520	-	-	5,389,520
Total fund balances	8,515,605	1,109,526	19,255,915	28,881,046
Total liabilities, deferred inflows, and fund balances	\$ 9,749,582	\$ 1,109,526	\$ 19,506,845	\$ 30,365,953

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

Balance Sheet - Governmental Funds

June 30, 2019

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

Total fund balances - governmental funds	\$ 28,881,046
Amount reported for governmental 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.	40,870,008
Deferred outflows of resources for OPEB and pension contributions used in governmental activities are not financial resources and, therefore, are not reported in the funds.	685,146
Deferred outflows of resources for changes in proportionate share of net OPEB liability and net difference between projected and actual experience on OPEB plan investments are not financial resources and, therefore, are not reported in the funds.	439,627
Deferred outflows of resources for net difference between projected and actual experience on pension plan investments are not financial resources and, therefore, are not reported in the funds	194,175
Deferred outflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,185,552
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.	345,924
Other liabilities not paid from current period revenues are not reported in funds for:	
Accrued interest	(590,544)
Accrued compensated absences	(669,326)
Net pension liability	(1,635,760)
Net OPEB liability	(2,305,565)
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.	(41,905,957)
Deferred inflows of resources for net difference between expected and actual experience on pension plan investments, net difference between projected and actual earnings on pension plan investments, and changes of assumptions are not due and payable in the current period and, therefore, are not reported in the funds.	(735,146)
Deferred inflows of resources for net difference between projected and actual earnings on OPEB plan investments, net difference between expected and actual experience on OPEB plan investments, changes in proportionate share of net OPEB liability, and changes of assumptions are not due and payable in the current period and, therefore, are not reported in the funds.	(230,192)
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.	(72,566)
Total net position - governmental activities	\$ 24,456,422

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**Year Ended June 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
General property taxes	\$ 20,971,058	\$ -	\$ -	\$ 20,971,058
Other local taxes	2,868,532	-	-	2,868,532
Permits, privilege fees, and regulatory licenses	115,212	-	-	115,212
Fines and forfeitures	30,474	-	-	30,474
Use of money and property	362,288	-	-	362,288
Charges for services	776,328	-	-	776,328
Intergovernmental	4,641,649	-	937,803	5,579,452
Miscellaneous	99,277	-	456,178	555,455
Total revenues	29,864,818	-	1,393,981	31,258,799
Expenditures				
General government administration	2,422,070	-	-	2,422,070
Public safety and judicial	7,540,536	-	-	7,540,536
Public works	2,023,809	-	-	2,023,809
Health and welfare	1,215,397	-	-	1,215,397
Parks, recreation, and cultural	1,705,296	-	-	1,705,296
Community development	1,127,264	-	-	1,127,264
Nondepartmental	145,036	-	-	145,036
Education	9,851,389	-	-	9,851,389
Economic Development Authority	16,417	-	-	16,417
Capital outlay	-	-	1,191,561	1,191,561
Debt service				
Principal retirement	27,877	2,172,000	62,303	2,262,180
Interest and fiscal charges	-	1,286,949	8,116	1,295,065
Bond issuances costs	-	567,951	-	567,951
Total expenditures	26,075,091	4,026,900	1,261,980	31,363,971
Excess (deficiency) of revenues over (under) expenditures	3,789,727	(4,026,900)	132,001	(105,172)
Other financing sources (uses)				
Capital lease	142,447	-	-	142,447
Issuances of debt	-	933,125	17,639,284	18,572,409
Transfers in	200,000	3,813,627	128,239	4,141,866
Transfers out	(3,949,199)	-	-	(3,949,199)
Total other financing sources (uses), net	(3,606,752)	4,746,752	17,767,523	18,907,523
Net change in fund balances	182,975	719,852	17,899,524	18,802,351
Fund balances, beginning of year	8,332,630	389,674	1,356,391	10,078,695
Fund balances, end of year	\$ 8,515,605	\$ 1,109,526	\$ 19,255,915	\$ 28,881,046

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

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

Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ 18,802,351

Amount 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.

167,620

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	1,741,851
Depreciation expense	(1,791,740)
Disposal and transfers of capital assets	(557,441)

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 of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

New capital leases	(142,447)
Issuance of long-term debt and premium	(18,572,409)
Deferred refunding charge, net	(150,006)
Repayment of debt principal and capital leases	2,579,611

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	(226,468)
Compensated absences	(36,147)
Pension cost	736,351
OPEB expense	40,340

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.

57,888

Change in net position - governmental activities \$ 2,649,354

Statement of Net Position - Proprietary Funds

June 30, 2019

	Business-type Activities Proprietary Funds			Governmental Activities - Internal Service Funds
	Sewer Operation	Solid Waste	Total	
Assets				
Current assets				
Cash and investments	\$ 2,813,565	\$ 198,498	\$ 3,012,063	\$ 57,650
Accounts receivable	236,831	162,950	399,781	126
Note receivable	789	-	789	-
Due from General Fund	26,000	-	26,000	-
Inventory	-	6,180	6,180	18,690
Total current assets	3,077,185	367,628	3,444,813	76,466
Noncurrent assets				
Capital assets				
Land	217,666	-	217,666	-
Buildings	123,549	9,023	132,572	41,742
Sewer system	22,541,590	-	22,541,590	-
Equipment	1,551,203	428,748	1,979,951	37,772
Less accumulated depreciation	(13,536,567)	(395,106)	(13,931,673)	(75,690)
Total capital assets, net	10,897,441	42,665	10,940,106	3,824
Total assets	13,974,626	410,293	14,384,919	80,290
Deferred outflows of resources				
Deferred outflows related to pension	28,958	5,792	34,750	22,899
Deferred outflows related to OPEB	17,227	1,896	19,123	13,680
Deferred refunding costs	80,860	-	80,860	-
Total deferred outflows of resources	127,045	7,688	134,733	36,579
Total assets and deferred outflows of resources	\$ 14,101,671	\$ 417,981	\$ 14,519,652	\$ 116,869
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 3,884	\$ 61,826	\$ 65,710	\$ 20,211
Accrued payroll	7,997	2,811	10,808	7,858
Accrued interest	72,071	-	72,071	-
Compensated absences	1,285	418	1,703	2,518
Bonds payable	565,150	-	565,150	-
Total current liabilities	650,387	65,055	715,442	30,587
Noncurrent liabilities				
Compensated absences	11,568	3,760	15,328	22,666
Bonds payable	5,253,859	-	5,253,859	-
Net pension liability	56,840	11,368	68,208	44,947
Net OPEB liability	80,799	9,770	90,569	64,452
Total noncurrent liabilities	5,403,066	24,898	5,427,964	132,065
Total liabilities	6,053,453	89,953	6,143,406	162,652
Deferred inflows of resources				
Deferred inflows related to pension	25,545	5,109	30,654	20,200
Deferred inflows related to OPEB	8,261	992	9,253	6,583
Total deferred inflows of resources	33,806	6,101	39,907	26,783
Total liabilities and deferred inflows of resources	6,087,259	96,054	6,183,313	189,435
Net position				
Net investment in capital assets	5,159,292	42,665	5,201,957	3,824
Unrestricted (deficit)	2,855,120	279,262	3,134,382	(77,994)
Total net position (deficit)	8,014,412	321,927	8,336,339	(72,566)
Total liabilities, deferred inflows of resources, and net position (deficit)	\$ 14,101,671	\$ 417,981	\$ 14,519,652	\$ 116,869

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

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2019

	Business-type Activities			Governmental Activities - Internal Service Funds
	Sewer Operation	Solid Waste	Total	
Operating revenues				
Charges for services	\$ 1,867,248	\$ 886,514	\$ 2,753,762	\$ 786,375
Intergovernmental	151,952	-	151,952	-
Miscellaneous	10,264	-	10,264	-
Total operating revenues	2,029,464	886,514	2,915,978	786,375
Operating expenses				
Personnel services	319,379	88,368	407,747	250,880
Contractual services	141,517	229,193	370,710	84,079
Materials and supplies	57,611	33,114	90,725	375,383
Utilities	77,647	100	77,747	4,452
Depreciation and amortization	637,728	13,636	651,364	5,499
Other charges	32,809	3,178	35,987	13,674
Waste disposal	-	448,511	448,511	-
Total operating expenses	1,266,691	816,100	2,082,791	733,967
Operating income	762,773	70,414	833,187	52,408
Nonoperating revenues (expenses)				
Interest income	37,422	-	37,422	-
Interest and fiscal charges	(196,250)	-	(196,250)	-
Gain on sale of equipment	4,575	-	4,575	-
Sewer availability fees	126,286	-	126,286	-
Nonoperating expenses, net	(27,967)	-	(27,967)	-
Income before transfers	734,806	70,414	805,220	52,408
Transfers				
Transfers in	-	1,853	1,853	5,480
Transfers out	(150,000)	(50,000)	(200,000)	-
Transfers	(150,000)	(48,147)	(198,147)	5,480
Change in net position	584,806	22,267	607,073	57,888
Net position, beginning of year	7,429,606	299,660	7,729,266	(130,454)
Net position, end of year	\$ 8,014,412	\$ 321,927	\$ 8,336,339	\$ (72,566)

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

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2019

	Business-type Activities			Internal Service Funds
	Sewer Operation	Solid Waste	Total	
Cash flows from operating activities				
Received from customers and users	\$ 2,055,328	\$ 859,111	\$ 2,914,439	\$ 786,375
Payments to suppliers for goods and services	(324,903)	(708,531)	(1,033,434)	(500,825)
Payments to employees	(359,672)	(93,122)	(452,794)	(269,266)
Net cash provided by operating activities	1,370,753	57,458	1,428,211	16,284
Cash flows from noncapital financing activities				
Transfers (to) from other funds, net	(124,000)	(48,147)	(172,147)	5,480
Net cash provided by (used in) noncapital and related financing activities	(124,000)	(48,147)	(172,147)	5,480
Cash flows from capital and related financing activities				
Principal paid on capital debt	(490,000)	-	(490,000)	-
Sewer availability fees	126,286	-	126,286	-
Interest paid on capital debt	(216,628)	-	(216,628)	-
Gain on sale of equipment	4,575	-	4,575	-
Acquisition and construction of capital assets	(479,994)	(6,724)	(486,718)	-
Net cash used in capital and related financing activities	(1,055,761)	(6,724)	(1,062,485)	-
Cash flows from investing activities				
Interest received	37,422	-	37,422	-
Net increase in cash and investments	228,414	2,587	231,001	21,764
Cash and investments, beginning of year	2,585,151	195,911	2,781,062	35,886
Cash and investments, end of year	\$ 2,813,565	\$ 198,498	\$ 3,012,063	\$ 57,650
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 762,773	\$ 70,414	\$ 833,187	\$ 52,408
Adjustments to reconcile operating income to net cash provided by				
Depreciation and amortization	637,728	13,636	651,364	5,499
Pension expense	(25,587)	(5,118)	(30,705)	(21,189)
OPEB expense	(1,390)	(248)	(1,638)	(183)
Changes in assets and liabilities:				
Receivables	25,864	(27,403)	(1,539)	-
Inventories	-	(3,420)	(3,420)	(14,993)
Prepaid items	-	-	-	-
Accounts payable and accrued liabilities	(15,319)	8,985	(6,334)	(8,244)
Accrued compensated absences	(12,654)	395	(12,259)	2,618
Accrued payroll	(662)	217	(445)	368
Net cash provided by operating activities	\$ 1,370,753	\$ 57,458	\$ 1,428,211	\$ 16,284

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

Statement of Fiduciary Net Position

June 30, 2019

	Other Postemployment Benefits Trust Fund	Library Agency Fund
Assets		
Cash and cash equivalents	\$ 75,492	\$ 17,372
Investments in pooled funds	125,536	-
Total assets	\$ 201,028	\$ 17,372
Liabilities		
Amounts held for others	\$ -	\$ 17,372
Advance payments	12,960	-
Total liabilities	\$ 12,960	\$ 17,372
Net Position		
Restricted for postemployment benefits other than pensions	188,068	
Total liabilities and net position	\$ 201,028	

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

**Statement of Changes in Fiduciary Net Position -
Other Postemployment Benefits Trust Fund**

Year Ended June 30, 2019

	Additions	Other Postemployment Benefits Trust Fund
Contributions		\$ 257,557
Total additions		<u>\$ 257,557</u>
	Deductions	
Retirement benefits		\$ 152,561
Net decrease in fair value of investments		2,076
Total deductions		<u>\$ 154,637</u>
Change in net position		\$ 102,920
Total net position, beginning of year		<u>85,148</u>
Total net position, end of year		<u>\$ 188,068</u>

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

Combining Statement of Net Position - Component Units**June 30, 2019**

	Poquoson City Public Schools	Economic Development Authority	Total
Assets			
Cash and cash equivalents, net	\$ 2,831,945	\$ 35,897	\$ 2,867,842
Restricted cash and cash equivalents	316,547	-	316,547
Due from other governments	290,212	-	290,212
Other receivables	1,919	-	1,919
Inventory	20,701	-	20,701
Capital assets			
Non-depreciable	450,876	2,330,945	2,781,821
Depreciable, net	4,638,034	85,979	4,724,013
Total assets	8,550,234	2,452,821	11,003,055
Deferred Outflows of Resources			
Deferred outflows related to pension	2,381,588	-	2,381,588
Deferred outflows related to OPEB	470,520	-	470,520
Total deferred outflows of resources	2,852,108	-	2,852,108
Total assets and deferred outflows of resources	\$ 11,402,342	\$ 2,452,821	\$ 13,855,163
Liabilities			
Accounts payable and accrued liabilities	\$ 2,371,644	\$ -	\$ 2,371,644
Accrued interest	-	14,087	14,087
Due to Primary Government	209,731	1,647,904	1,857,635
Noncurrent liabilities			
Due within one year	82,452	-	82,452
Due in more than one year	310,176	-	310,176
Net pension liability	17,115,000	-	17,115,000
Net OPEB liability	3,040,137	-	3,040,137
Total liabilities	23,129,140	1,661,991	24,791,131
Deferred Inflows of Resources			
Deferred inflows related to pension	2,253,000	-	2,253,000
Deferred inflows related to OPEB	209,314	-	209,314
Total deferred inflows of resources	2,462,314	-	2,462,314
Net Position			
Net investment in capital assets	5,088,910	769,020	5,857,930
Restricted	316,547	-	316,547
Unrestricted (deficit)	(19,594,569)	21,810	(19,572,759)
Total net position (deficit)	(14,189,112)	790,830	(13,398,282)
Total liabilities, deferred inflows of resources, and net position (deficit)	\$ 11,402,342	\$ 2,452,821	\$ 13,855,163

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

Combining Statement of Activities - Component Units
Year Ended June 30, 2019

	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Poquoson City Public Schools	Economic Development Authority	Total
Poquoson City Public Schools							
Education	\$ 23,093,581	\$ 833,165	\$ 11,205,681	\$ -	\$ (11,054,735)	\$ -	\$ (11,054,735)
Economic Development Authority							
Economic Development	71,243	17,349	-	-	-	(53,894)	(53,894)
Total component units	\$ 23,164,824	\$ 850,514	\$ 11,205,681	\$ -	(11,054,735)	(53,894)	(11,108,629)
General revenues							
Sales tax					2,267,928	-	2,267,928
Loss on sale of capital assets					-	(42,008)	(42,008)
City of Poquoson					9,851,389	16,417	9,867,806
Total general revenues					12,119,317	(25,591)	12,093,726
Change in net position					1,064,582	(79,485)	985,097
Net position, beginning of year					(15,253,694)	870,315	(14,383,379)
Net position, end of year					\$ (14,189,112)	\$ 790,830	\$ (13,398,282)

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

June 30, 2019

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) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. As required by those principles, these financial statements present the City (Primary Government) and its discretely presented component units, the Poquoson City Public Schools (Schools), and the Economic Development Authority (EDA).

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

The Schools are responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. The Schools are 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 Schools facilities and to provide funding for the operations. Therefore, the Schools are included in the component unit column of the City's financial statements because of the significance of its financial relationship with the City. Furthermore, the Schools meets the criteria for discrete presentation and is, therefore, presented in a separate component unit's column in the basic financial statements to emphasize that it is legally separate from the City. The Schools 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 Comprehensive Annual Financial Report as the City does not have financial accountability over their activities.

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, 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.

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 City reports the following major proprietary funds:

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

The *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 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 Agency 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.

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

Budgeting 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, 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. Therefore, the Debt Service Fund, Capital Projects 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 that encumbrances are included as budgetary expenditures. Budgeted amounts reflected in the Primary Government are as originally adopted and amended by City Council.

Supplemental budget appropriations were approved during the fiscal year ended June 30, 2019 for an increase in appropriations in the amount of \$711,719 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

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 the statements of cash flows for all proprietary fund types, 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.

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, 2019, 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. For assets constructed, interest expense is capitalized on business type assets financed with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

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 their 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:

	<u>Years</u>
Buildings	15 - 40
Building improvements	5 - 40
Infrastructure	20 - 50
Machinery and equipment	3 - 50
Land improvements	10 - 50
Sewer system	40

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.

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 representing a consumption of net position that applies to future period 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 Statement 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, and contributions made subsequent to the measurement date. Changes in deferred outflows of resources, other than subsequent contributions, 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.

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources representing an acquisition of net position 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 pensions and OPEB in the government-wide Statement of Net Position. Actuarial losses resulting from actual economic experience that is different than estimated, pension/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/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.

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. Compensated absences are reported in governmental funds only if they have matured (i.e., unused, reimbursable leave still outstanding following an employee's resignation or retirement).

The Schools also accrues 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.

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.

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

Fund Balances/Net Positions *(Continued)*

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.

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.

Credit Risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.51% of the City's real estate tax base. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the City's customer base.

2. Deposits and Investments

Deposits

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 in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

However, all qualified bank's public deposits are considered 100% "insured" because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro-rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance.

At June 30, 2019, 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.

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 State 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, 2019, the City had \$17,884,755 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.

2. Deposits and Investments (Continued)

Investments (Continued)

The City participates in the Virginia Pooled OPEB Trust administered by the VML/VACo Finance Program. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The City's investment amounts are reported on the Fiduciary Fund statements on pages 26 and 27. 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, 919 E. Main Street, Suite 1100, 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

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.

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

Investment Policy *(Continued)*

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 that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service. Corporate notes, negotiable certificates of deposit, and bank deposit notes maturing in less than one year must have 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

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 counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the City or held as collateral on deposits or investments shall be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction.

2. Deposits and Investments (Continued)

As of June 30, 2019, 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)		
	Fair Value	Less Than	
		1 Year	1 - 3 Years
Commonwealth of Virginia LGIP	\$ 688,445	\$ 688,445	\$ -
VML/VACo Pooled OPEB Trust Fund	125,536	-	125,536
SNAP	17,884,755	-	17,884,755
Total investments	18,698,736	\$ 688,445	\$ 18,010,291

Reconciliation to total cash and investments:

Add:	
Cash on hand and in banks	14,319,121
Total cash and investments	33,017,857
Less:	
Cash and investments held in fiduciary funds	218,400
Total cash and investments, Exhibit A, Primary Government and Component Units	\$ 32,799,457

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 5th and June 5th. The City bills and collects its own property taxes.

	Governmental Business-Type		Total
	Activities	Activities	
Real estate taxes	\$ 404,392	\$ -	\$ 404,392
Personal property taxes	395,394	-	395,394
Accounts receivable	52,736	399,781	452,517
	852,522	399,781	1,252,303
Less - allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables, net	\$ 547,522	\$ 399,781	\$ 947,303

4. Notes Receivable

A \$100,000 note receivable in the General Fund and Governmental Activities represents a deed of trust note to a business for relocation expenses. As an incentive to move to the City, the City advanced the business moving expenses. The \$100,000 note bears interest at 6%. Principal payments of \$20,000 plus accrued interest began on December 31, 2015 and is payable on December 31st of each year thereafter until paid in full. However, the principal and interest payments will be forgiven each year if the business meets the conditions outlined in the agreement. As of June 30, 2019, the balance was \$40,000.

4. Notes Receivable (Continued)

A note receivable of \$192,279 in the General Fund and Governmental Activities represents a deed of trust note to Poquoson Historical and Cultural Museum Foundation. The \$192,279 note bears interest at 7.25%. Beginning June 1, 2009, interest only is due and payable each June 1 and December 1 thereafter. As of June 30, 2019, the balance was \$19,228.

The City also 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. The note receivable is included in “Notes receivable, component unit” in the Statement of Net Position and the General Fund.

5. Due From Other Governments

Due from other governments consists of the following:

Primary Government

	<u>Total</u>
Commonwealth of Virginia	
Communications Sales and Use Tax	\$ 29,026
Compensation Board	17,521
Children's Services Act	44,237
Division of Motor Vehicles	11,864
Meals Tax	59,947
Mobile Home Tilting	8,367
PPTRA	884,118
Recordation Tax	13,895
Sales Tax	58,189
School Resource Officer Grants	15,362
VDOT	83,426
VPA	124,738
Total due from the Commonwealth of Virginia	<u>1,350,690</u>
Federal Government	
DUI Grants - Selective Enforcement - Alcohol	1,155
DUI Grants - Selective Enforcement - Speed	2,135
FEMA Planning Grant (LEMPG)	2,025
HMGP Grant	334
Total due from the federal government	<u>5,649</u>
Total due from other governments	<u>\$ 1,356,339</u>

5. Due From Other Governments (Continued)

Component Unit – Schools

Commonwealth of Virginia

Sales Tax	\$ 191,957
Technology Reimbursement	<u>32,807</u>
Total due from the Commonwealth of Virginia	<u>224,764</u>

Federal Government

Department of Education Program	
Title I	21,478
Title VI-B	643
Various Grants	<u>43,327</u>
Total due from the federal government	<u>65,448</u>

Total due from other governments	<u>\$ 290,212</u>
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6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2019 are as follows:

<u>Primary Government Receivable</u>	<u>Component Unit Payable</u>	<u>Amount</u>
Due from EDA	Due to Primary Government	\$ 1,647,904
Due from Schools	Due to Primary Government	<u>209,731</u>
Total		<u>\$ 1,857,635</u>

See “Note 4, Notes Receivable” for more information regarding the EDA’s \$1,647,904 due to the City.

7. Capital Assets

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

	Balance July 1, 2018*	Increase	Decrease	Balance June 30, 2019
Capital assets, non-depreciable				
Land	\$ 3,004,720	\$ -	\$ -	\$ 3,004,720
Construction in progress	1,069,430	344,324	1,011,843	401,911
Total capital assets, non-depreciable	<u>4,074,150</u>	<u>344,324</u>	<u>1,011,843</u>	<u>3,406,631</u>
Capital assets, depreciable				
Buildings*	10,581,070	-	-	10,581,070
Building improvements*	286,391	187,828	-	474,219
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	3,907,181	455,044	-	4,362,225
Machinery and equipment	8,316,181	720,901	475,781	8,561,301
Total capital assets, depreciable	<u>63,475,142</u>	<u>1,363,773</u>	<u>475,781</u>	<u>64,363,134</u>
Less - accumulated depreciation				
Buildings*	5,539,623	353,728	-	5,893,351
Building improvements*	106,261	31,054	-	137,315
Infrastructure	33,015,938	174,163	-	33,190,101
Land improvements	2,256,770	129,276	-	2,386,046
Machinery and equipment	6,214,805	394,058	475,136	6,133,727
Total accumulated depreciation	<u>47,133,397</u>	<u>1,082,279</u>	<u>475,136</u>	<u>47,740,540</u>
Total capital assets, depreciable, net before allocation from School Board				
	<u>16,341,745</u>	<u>281,494</u>	<u>645</u>	<u>16,622,594</u>
Allocation of School Board assets				
Buildings	28,463,737	488,799	-	28,952,536
Less - accumulated depreciation				
Buildings	<u>7,392,971</u>	<u>714,958</u>	<u>-</u>	<u>8,107,929</u>
Total allocated from School Board	<u>21,070,766</u>	<u>(226,159)</u>	<u>-</u>	<u>20,844,607</u>
Total capital assets, depreciable	<u>37,412,511</u>	<u>55,335</u>	<u>645</u>	<u>37,467,201</u>
Total capital assets	<u>\$ 41,486,661</u>	<u>\$ 399,659</u>	<u>\$ 1,012,488</u>	<u>\$ 40,873,832</u>

*For 2019 reporting purposes, Buildings were separated into Buildings and Building Improvements.

7. **Capital Assets** *(Continued)*

Depreciation was charged to governmental functions as follows:

General government administration	\$ 71,910
Public safety	485,304
Public works	404,019
Health and welfare	3,702
Parks, recreation, and cultural	115,118
Community development	2,226
Education	714,958
	<u>\$ 1,797,237</u>

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

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019
Capital assets, non-depreciable				
Land	\$ 217,666	\$ -	\$ -	\$ 217,666
Construction in progress	28,918	-	28,918	-
Total capital assets, non-depreciable	<u>246,584</u>	<u>-</u>	<u>28,918</u>	<u>217,666</u>
Capital assets, depreciable				
Buildings	142,515	-	9,943	132,572
Machinery and equipment	1,500,961	515,636	36,646	1,979,951
Sewer system	22,541,590	-	-	22,541,590
Total capital assets, depreciable	<u>24,185,066</u>	<u>515,636</u>	<u>46,589</u>	<u>24,654,113</u>
Less - accumulated depreciation				
Buildings	22,952	7,716	9,943	20,725
Machinery and equipment	1,047,598	73,632	36,646	1,084,584
Sewer system	12,256,348	570,016	-	12,826,364
Total accumulated depreciation	<u>13,326,898</u>	<u>651,364</u>	<u>46,589</u>	<u>13,931,673</u>
Total capital assets, depreciable, net	<u>10,858,168</u>	<u>(135,728)</u>	<u>-</u>	<u>10,722,440</u>
Total	<u>\$ 11,104,752</u>	<u>\$ (135,728)</u>	<u>\$ 28,918</u>	<u>\$ 10,940,106</u>

7. **Capital Assets** *(Continued)*

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

	Balance July 1, 2018*	Increase	Decrease	Balance June 30, 2019
Capital assets, non-depreciable				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Capital assets, depreciable				
Buildings and building improvements*	36,005,632	210,757	-	36,216,389
Infrastructure*	140,918	-	-	140,918
Land improvements*	3,983,776	314,804	-	4,298,580
Machinery and equipment	3,243,279	214,590	112,785	3,345,084
Total capital assets, depreciable	<u>43,373,605</u>	<u>740,151</u>	<u>112,785</u>	<u>44,000,971</u>
Less - accumulated depreciation				
Buildings and building improvements*	13,001,177	766,556	-	13,767,733
Infrastructure*	15,064	5,358	-	20,422
Land improvements*	2,273,303	168,203	-	2,441,506
Machinery and equipment	2,159,924	241,530	112,785	2,288,669
Total accumulated depreciation	<u>17,449,468</u>	<u>1,181,647</u>	<u>112,785</u>	<u>18,518,330</u>
Capital assets, depreciable, net, before allocation to City	<u>25,924,137</u>	<u>(441,496)</u>	<u>-</u>	<u>25,482,641</u>
Allocation to City				
Buildings	28,463,737	488,799	-	28,952,536
Less - accumulated depreciation	7,392,971	714,958	-	8,107,929
Total allocated to City	<u>21,070,766</u>	<u>(226,159)</u>	<u>-</u>	<u>20,844,607</u>
Total capital assets, depreciable, net	<u>4,853,371</u>	<u>(215,337)</u>	<u>-</u>	<u>4,638,034</u>
Total	<u>\$ 5,304,247</u>	<u>\$ (215,337)</u>	<u>\$ -</u>	<u>\$ 5,088,910</u>

*For 2019 reporting purposes, Buildings were separated into Buildings and building improvements, Infrastructure, and Land improvements.

7. **Capital Assets (Concluded)**

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

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019
Capital assets, non-depreciable				
Land	\$ 2,492,161	\$ -	\$ 161,216	\$ 2,330,945
Capital assets, depreciable				
Buildings	69,147	-	69,147	-
Infrastructure	315,273	-	-	315,273
Total capital assets, depreciable	384,420	-	69,147	315,273
Less - accumulated depreciation				
Buildings	63,394	-	63,394	-
Infrastructure	214,963	14,331	-	229,294
Total accumulated depreciation	278,357	14,331	63,394	229,294
Total capital assets, depreciable, net	106,063	(14,331)	5,753	85,979
Total	<u>\$ 2,598,224</u>	<u>\$ (14,331)</u>	<u>\$ 166,969</u>	<u>\$ 2,416,924</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:

	Balance			Balance	Amounts
	July 1,		Decrease	June 30,	Due Within
	2018	Increase		2019	One Year
General obligation bonds	\$ 21,734,586	\$ 18,070,000	\$ 1,922,000	\$ 37,882,586	\$ 2,350,001
Unamortized premium	3,557,801	502,409	317,431	3,742,779	329,393
	<u>25,292,387</u>	<u>18,572,409</u>	<u>2,239,431</u>	<u>41,625,365</u>	<u>2,679,394</u>
Capital lease obligations	228,325	142,447	90,180	280,592	93,008
State Literary Fund loans	250,000	-	250,000	-	-
	<u>25,770,712</u>	<u>18,714,856</u>	<u>2,579,611</u>	<u>41,905,957</u>	<u>2,772,402</u>
Net pension liability	1,446,502	234,205	-	1,680,707	-
Net OPEB liability - Local Plan	1,871,840	-	105,320	1,766,520	-
Net OPEB liability - State Programs	603,805	-	308	603,497	-
Accrued compensated absences	655,745	939,119	900,354	694,510	69,451
Total	<u>\$ 30,348,604</u>	<u>\$ 19,888,180</u>	<u>\$ 3,585,593</u>	<u>\$ 46,651,191</u>	<u>\$ 2,841,853</u>
Component Unit - Schools					
Net pension liability	\$ 18,251,000	\$ -	\$ 1,136,267	\$ 17,114,733	\$ -
Net OPEB liability - Local Plan	201,093	2,044	-	203,137	-
Net OPEB liability - State Programs	2,885,000	-	48,000	2,837,000	-
Accrued compensated absences	379,167	542,657	529,196	392,628	82,452
Total	<u>\$ 21,716,260</u>	<u>\$ 544,701</u>	<u>\$ 1,713,463</u>	<u>\$ 20,547,498</u>	<u>\$ 82,452</u>

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).

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

Governmental Activities (Continued)

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

General Obligation Refunding Bonds, Series 2010 - \$4,670,000 bonds issued and due in annual installments varying from \$100,000 to \$665,000 beginning February 2014 through February 2027, with interest paid semi-annually at 4.28%.	\$ 545,000
General Obligation Refunding Bonds, Series 2010 - \$6,600,000 bonds issued and due in annual installments varying from \$140,000 to \$1,015,000 beginning February 2014 through February 2027, with interest paid semi-annually at 4.35%.	210,000
General Obligation Refunding Bonds, Series 2010 - \$3,900,000 bonds issued and due in annual installments varying from \$45,000 to \$580,000 beginning February 2014 through February 2027, with interest paid semi-annually at 4.49%.	55,000
General Obligation Refunding Bonds, Series 2012 - \$8,165,000 bonds issued and due in annual installments varying from \$35,000 to \$1,030,000 beginning February 2013 through February 2028, with interest payable semi-annually at rates from 2% to 5%.	3,304,999
General Obligation Bonds, Series 2013 - \$1,734,000 bonds issued and due in annual installments varying from \$157,000 to \$191,000 beginning August 2018 through August 2027, with interest payable semi-annually at 2.23%.	1,527,587
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%.	14,170,000
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%.	<u>18,070,000</u>
	<u>\$ 37,882,586</u>

8. Long-term Obligations (Continued)

Governmental Activities (Continued)

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,350,001	\$ 1,499,465
2021	2,319,000	1,392,953
2022	2,447,000	1,281,512
2023	2,561,001	1,163,742
2024	2,540,000	1,044,484
2025-2029	10,775,584	3,427,907
2030-2034	6,190,000	1,818,356
2035-2039	7,135,000	849,169
2040	1,565,000	52,819
	<u>\$ 37,882,586</u>	<u>\$ 12,530,407</u>

In March 2017, the City entered into a capital lease to purchase equipment, which was capitalized at a cost of \$161,868. At June 30, 2019, accumulated depreciation under this lease totaled \$26,978. The balance of this lease as of June 30, 2019 was \$65,903. In December 2017, the City entered into a second capital lease to purchase equipment, which was capitalized at a cost of \$167,000. At June 30, 2019, accumulated depreciation under this lease totaled \$25,050. The balance of this lease as of June 30, 2019 was \$100,119. In July 2018, the City entered into capital leases for 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 as capital leases, as well as costs to outfit the vehicles. At June 30, 2019, accumulated depreciation under these leases totaled \$16,134. The combined balance of these leases as of June 30, 2019 was \$114,570. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2020	\$ 98,908
2021	99,051
2022	64,265
2023	28,489
2024	613
Total minimum lease payments	<u>291,326</u>
Less - imputed interest	<u>(10,734)</u>
	280,592
Less current portion	<u>(93,008)</u>
Long-term portion	<u>\$ 187,584</u>

8. Long-term Obligations (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. As of June 30, 2019, the City's aggregate general obligation indebtedness was \$118,423,439 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			Balance	Amounts
	July 1,	Increase	Decrease	June 30,	Due Within
	2018			2019	One Year
General obligation bonds	\$ 5,940,002	\$ -	\$ 490,000	\$ 5,450,002	\$ 515,000
Unamortized premium	419,157	-	50,150	369,007	50,150
	<u>6,359,159</u>	<u>-</u>	<u>540,150</u>	<u>5,819,009</u>	<u>565,150</u>
Net pension liability	58,703	9,505	-	68,208	-
Net OPEB liability - Local Plan	69,903	-	3,934	65,969	-
Net OPEB liability - State Programs	24,615	-	15	24,600	-
Accrued compensated absences	29,290	36,167	48,426	17,031	1,703
Total	<u>\$ 6,541,670</u>	<u>\$ 45,672</u>	<u>\$ 592,525</u>	<u>\$ 5,994,817</u>	<u>\$ 566,853</u>

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

General Obligation Refunding Sewer Bonds, Series 2010 - \$740,000 bonds issued and due in annual principal installments varying from \$10,000 to \$80,000 through April 2022 with interest payable semi-annually at rates varying from 2.2% to 5.2%.

\$ 235,002

General Obligation Refunding Sewer Bonds, Series 2012 - \$7,330,000 bonds issued and due in annual installments varying from \$150,000 to \$685,000 through February 2028, with interest payable semi-annually at rates from 3% to 5%.

5,215,000

\$ 5,450,002

8. Long-term Obligations (Concluded)

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 515,000	\$ 192,183
2021	540,000	166,878
2022	565,000	140,774
2023	590,000	114,900
2024	610,000	97,200
2025-2028	<u>2,630,002</u>	<u>199,950</u>
	<u>\$ 5,450,002</u>	<u>\$ 911,885</u>

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

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, 2019. 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 November 1, 2013, the EDA issued \$7,474,590 Christopher Newport University Student Housing Project Revenue Bonds to Christopher Newport University Education Foundation (Foundation), for the purpose of financing the construction and equipping of a student housing complex consisting of 5 buildings in Newport News, Virginia. During December 2018, this bond was refinanced through the Newport News EDA, and this no longer represents outstanding conduit debt to the Poquoson EDA as of June 30, 2019. 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, 2019, the remaining outstanding balance was \$10,962,390.

11. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Nonspendable				
EDA note receivable	\$ 1,647,903	\$ -	\$ -	\$ 1,647,903
Notes receivable	59,227	-	-	59,227
Total nonspendable	<u>1,707,130</u>	<u>-</u>	<u>-</u>	<u>1,707,130</u>
Restricted				
Revenue Stabilization	687,373	-	-	687,373
Asset forfeiture	1,764	-	-	1,764
National night out - Police	1,790	-	-	1,790
OPEB	242,359	-	-	242,359
4 For Life	18,596	-	-	18,596
Fire Fund	60,887	-	-	60,887
Watermans' Memorial	19,536	-	-	19,536
Library donations	8,190	-	-	8,190
Parks & Rec workboat races	410	-	-	410
Wetland Creation	29,004	-	-	29,004
CDBG Program revenue	76,077	-	-	76,077
Capital projects	-	-	18,973,986	18,973,986
Total restricted	<u>1,145,986</u>	<u>-</u>	<u>18,973,986</u>	<u>20,119,972</u>
Assigned				
Community development	6,494	-	-	6,494
General government and administration	21,798	-	-	21,798
Health and welfare	6,963	-	-	6,963
Public safety and judicial	44,299	-	-	44,299
Public works	16,940	-	-	16,940
Non-departmental	6,775	-	-	6,775
Debt service	-	1,109,526	-	1,109,526
Capital projects	-	-	281,929	281,929
Subsequent year budget transfers:				
Capital Projects Fund	55,520	-	-	55,520
OPEB Trust Fund	97,125	-	-	97,125
EDA Fund	17,053	-	-	17,053
Total assigned	<u>272,967</u>	<u>1,109,526</u>	<u>281,929</u>	<u>1,664,422</u>
Unassigned	<u>5,389,522</u>	<u>-</u>	<u>-</u>	<u>5,389,522</u>
Total fund balances	<u>\$ 8,515,605</u>	<u>\$ 1,109,526</u>	<u>\$ 19,255,915</u>	<u>\$ 28,881,046</u>

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, 2019:

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - all City employees Employee Dishonesty Blanket Bond	\$ 1,000,000
Virginia Municipal Liability Pool Lenna Reimers, Clerk of the School Board	10,000
Antonia Fox, 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.

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - Surety, Faithful Performance of Duty Schedule, Position Bond Treasurer, and Employees	\$ 1,000,000
Commonwealth of Virginia Faithful Performance of Duty Bond Treasurer	500,000
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.

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, 2019, the City’s General Fund had outstanding encumbrances of \$103,269 and the Component Unit - Schools’ General Fund had outstanding encumbrances of \$542,702.

13. Interfund Transfers

Interfund transfers for the year ended June 30, 2019 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 200,000	\$ 3,949,199
Debt Service Fund	3,813,627	-
Capital Projects Fund	128,239	-
Fleet Fund	5,480	-
Sewer Operations Fund	-	150,000
Solid Waste Fund	1,853	50,000
	<u>\$ 4,149,199</u>	<u>\$ 4,149,199</u>

Purpose:

- \$ 3,813,627 From General Fund to Debt Service Fund for current year debt payments plus reserves associated with the borrowing in July 2018.
- \$ 128,239 From General Fund to Capital Projects Fund to fund capital projects.
- \$ 5,480 From General Fund to Fleet Fund to fund bonuses and salary increases.
- \$ 1,853 From General Fund to Solid Waste Fund to fund bonuses and salary increases.
- \$ 150,000 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.

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, 2019, the City provided support or paid for services to HRPDC of \$23,043, VPPSA of \$225,210, PCWD of \$5,847, and CBH of \$190,000.

14. Related Party Transactions (Continued)

In June 2003, the Virginia Peninsula Regional Jail Authority (Jail Authority), of which the City is a member jurisdiction, issued \$21,655,000 of Regional Jail Facility Refunding Revenue Bonds, Series 2003. The original bonds were issued for the purpose of acquiring, constructing, and equipping a Regional Jail Facility to serve its member jurisdictions. The bonds bear interest at 2% to 5%, paid semi-annually. The bonds mature in amounts ranging from \$570,000 on October 1, 2003 to \$2,765,000 on October 1, 2018. The bonds were paid off during the year and the outstanding balance at June 30, 2019 was \$-0-. The bonds were limited obligations of the Jail Authority, and did not constitute a general obligation debt or pledge of the faith and credit of any of the four member jurisdictions, nor did they obligate any member jurisdiction to levy or pledge any form of taxation therefore.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2019, the City incurred expenses for the regional jail and juvenile detention center of \$252,270 and \$48,880, respectively.

The City also participates in a regional animal shelter, Newport News Animal Services, with several other localities. The City paid \$31,539 for its share in fiscal year 2019.

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, 2019, the City paid \$1,093,770 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, 2019, the City paid \$92,368 to Hampton for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2019, the Schools provided support of \$580,822 to the New Horizons Education Center.

15. Retirement Plan

A. Plan Description

The City and Schools participate in agent multiple-employer plans administered by the Virginia Retirement System (VRS). In addition, certain Schools employees participate in the VRS state-wide teachers' cost-sharing plan (VRS Teachers' Pool). All full-time, salaried permanent employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer pay contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria 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.

15. Retirement Plan (Continued)

VRS 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 set out in the table below:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they had not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>If eligible, deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>If eligible, deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Credible service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<p><u>Defined Contributions Component:</u> Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of plan.</p> <p>Members are always 100% vested in contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After 2 years, a member is 50% vested and may withdraw 50% of employer contributions. • After 3 years, a member is 75% vested and may withdraw 75% of employer contributions. • After 4 or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p>Sheriffs and Regional Jail Superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political Subdivision Hazardous Duty Employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as VRS Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p> <p>Sheriffs and Regional Jail Superintendents: Same as VRS Plan 1.</p> <p>Political Subdivision Hazardous Duty Employees: Same as VRS Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and Regional Jail Superintendents: Not applicable.</p> <p>Political Subdivision Hazardous Duty Employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political Subdivisions Hazardous Duty Employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political Subdivisions Hazardous Duty Employees: Same as Plan 1.</p>	<p>Normal Retirement Age VRS: Defined Benefit Component: Same as Plan 2.</p> <p>Political Subdivisions Hazardous Duty Employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political Subdivisions Hazardous Duty Employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivisions Hazardous Duty Employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivisions Hazardous Duty Employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political Subdivisions Hazardous Duty Employees: Age 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political Subdivisions Hazardous Duty Employees: Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: As early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political Subdivisions Hazardous Duty Employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as VRS Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as VRS Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service.</p> <p>Defined Contribution Component: Not applicable.</p>

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

15. Retirement Plan (Continued)

B. Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number	
	Primary Government*	Component Unit - Schools*
Inactive members or their beneficiaries currently receiving benefits	60	25
Inactive members:		
Vested	23	8
Non-vested	25	4
Active elsewhere in VRS	46	6
Total inactive members	94	18
Active members	124	27
Total covered employees	278	70

*Agent multiple-employer plan

C. Contributions

The contribution 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer.

Agent Multiple-Employer Plans

The City's contractually required contribution rate for the year ended June 30, 2019 was 10.41% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarial rate for the City's plan was 10.41%. This rate, 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. Contributions to the pension plan from the City were \$671,001 for the year ended June 30, 2019. The Schools' contractually required contribution rate for the year ended June 30, 2019 was 8.29% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, 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. Contributions to the pension plan from the Schools were \$45,082 for the year ended June 30, 2019.

15. Retirement Plan (Continued)

C. Contributions (Continued)

Teachers' Cost-Sharing Plan

The Schools' contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2017. The actuarially determined rate for the VRS Teachers' Pool was 15.68%. The actuarially determined rate, 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. Based on the provisions of § 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 100% of the actuarial rate for the year ended June 30, 2018.

Contributions to the pension plan from the Schools were \$2,060,506 for the year ended June 30, 2019.

D. Net Pension Liability

Agent Multiple-Employer Plans

The City and Schools' net pension liability, measured as of June 30, 2018, was \$1,748,915 and \$191,733, as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Teachers' Cost-Sharing Plan

At June 30, 2019, the Schools reported a liability of \$16,923,000 for its proportionate share of the State-wide plan's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Schools' proportion of the net pension liability was based on the Schools' actuarially determined employer contributions to the plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Schools' proportion was 0.14390% as compared to 0.14631% at June 30, 2017.

E. Actuarial Assumptions

The total pension liability for the plans were based on an actuarial valuations as of June 30, 2017, 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, 2018.

	General Employees	Public Safety	Teacher Plan
Assumptions used in calculations:			
Investment rate of return*	7.00%	7.00%	7.00%
Projected salary increases	3.50 – 5.35%	3.50 – 4.75%	3.50 – 5.95%
Includes inflation at	2.50%	2.50%	2.50%
Mortality rates: % of deaths to be service related	20.00%	70.00%	Not available

*Investment rate of return is reflected net of pension plan investment expense, including inflation.

15. Retirement Plan (Continued)

E. Actuarial Assumptions (Continued)

	General Employees	Public Safety	Teacher Plan
Mortality tables:			
Pre-retirement	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-retirement	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.
Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.
Changes of assumptions:			
The actuarial assumptions used in the June 30, 2017 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The following are changes to the actuarial assumptions related to as a result of the experience study.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Lowered disability rates. No change to salary scale. Increased Line of Duty Disability rate from 14% to 15%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 retirement rates, and lowered rates at older ages. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Adjusted disability rates to better fit experience. No change to salary scale. Decreased Line of Duty Disability rate from 60% to 45%.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. No change to salary scale. Adjusted disability rates to better match experience.

*Investment rate of return is reflected net of pension plan investment expense, including inflation.

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for U.S. GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

15. **Retirement Plan (Continued)**

F. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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:

Assets Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 6.83%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Through the fiscal year ending June 30, 2018, the rate contributed by the Schools for the VRS Teachers’ Pool was subject to the portion of the VRS Board-certified rates that was funded by the Virginia General Assembly. From July 1, 2018 on, the Schools is assumed 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

15. **Retirement Plan (Continued)**

H. Changes in Net Pension Liability

The following tables represent the changes in net pension liability through the plan's measurement date of June 30, 2018 for the City and Schools, respectively.

<u>City Pension Plan</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2017	\$ 31,205,195	\$ 29,699,990	\$ 1,505,205
Changes for the year:			
Service cost	818,997	-	818,997
Interest	2,124,606	-	2,124,606
Difference between expected and actual experience	299,978	-	299,978
Contributions - employer	-	534,293	(534,293)
Contributions - employee	-	305,122	(305,122)
Net investment income	-	2,181,520	(2,181,520)
Benefit payments, including refunds of employee contributions	(1,707,349)	(1,707,349)	-
Administrative expense	-	(19,140)	19,140
Other changes	-	(1,924)	1,924
Net changes	1,536,232	1,292,522	243,710
Balance, June 30, 2018	\$ 32,741,427	\$ 30,992,512	\$ 1,748,915

<u>Schools' Pension Plan (excluded Teacher Cost-Sharing Plan)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2017	\$ 2,317,307	\$ 2,059,005	\$ 258,302
Changes for the year:			
Service cost	52,308	-	52,308
Interest	156,761	-	156,761
Difference between expected and actual experience	(52,431)	-	(52,431)
Contributions - employer	-	51,238	(51,238)
Contributions - employee	-	24,084	(24,084)
Net investment income	-	149,347	(149,347)
Benefit payments, including refunds of employee contributions	(155,741)	(155,741)	-
Administrative expense	-	(1,330)	1,330
Other changes	-	(132)	132
Net changes	897	67,466	(66,569)
Balance, June 30, 2018	\$ 2,318,204	\$ 2,126,471	\$ 191,733

15. Retirement Plan (Continued)

I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City, Schools, and Teachers' Pool, calculated using the Plan's current discount rate, as well as what the respective plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's calculated net pension liability	\$ 5,982,776	\$ 1,748,915	\$ (1,782,667)
Schools' calculated net pension liability	\$ 436,080	\$ 191,733	\$ (15,679)
Teacher Employee Plan's calculated net pension liability	\$ 25,850,000	\$ 16,923,000	\$ 9,534,000

J. Pension Expense and Deferred (Inflows) Outflows of Resources

Pension expense recognized for the year ended June 30, 2019, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2019, were as follows:

	Primary Government		Component Unit - Schools	
	Governmental Activities	Business-type Activities	Agent Multiple Plan	Teacher Cost- Sharing Plan
Pension expense	\$ (125,890)	\$ (5,110)	\$ (41,000)	\$ 951,000
Deferred Inflows:				
Change of assumptions	\$ (155,682)	\$ (6,318)	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	(268,119)	(10,881)	(16,000)	(359,000)
Difference between expected and actual experience	(331,545)	(13,455)	(47,000)	(1,447,000)
Deferred change in proportionate share of contributions	-	-	-	(384,000)
Total Deferred Inflows	\$ (755,346)	\$ (30,654)	\$ (63,000)	\$ (2,190,000)
Deferred Outflows:				
Change of assumptions	\$ -	\$ -	\$ 1,000	\$ 202,000
Deferred change in proportionate share of contributions	-	-	-	73,000
Difference between expected and actual experience	211,420	8,580	-	-
Employer contributions subsequent to the measurement date	644,831	26,170	45,082	2,060,506
Total Deferred Outflows	\$ 856,251	\$ 34,750	\$ 46,082	\$ 2,335,506

15. Retirement Plan (Concluded)

J. Pension Expense and Deferred (Inflows) Outflows of Resources (Continued)

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 of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported in the deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Component Unit - Schools		
	City	Agent Multiple Plan	Teacher Cost- Sharing Plan
2020	\$ (172,000)	\$ (30,000)	\$ (299,000)
2021	(121,000)	(9,000)	(459,000)
2022	(246,000)	(21,000)	(802,000)
2023	(27,000)	(2,000)	(260,000)
2024	-	-	(95,000)
	<u>\$ (566,000)</u>	<u>\$ (62,000)</u>	<u>\$ (1,915,000)</u>

K. Payables to the Pension Plan

At June 30, 2019, the City and Schools reported payables of \$90,369 and \$-0-, respectively, for the outstanding amount of contributions to the pension plan requested for the year ended June 30, 2019.

16. Other Postemployment Benefits – VRS Programs

The City and Schools participate in a cost-sharing multiple employer Group Life Insurance (GLI) Program, a Teacher Employee Health Insurance Credit (HIC) Program, and a Political Subdivision Employee HIC Program offered by VRS.

VRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org>, or by writing to VRS’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions and long-term expected rate of return are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long-term expected rate of return are combined. Specific information for the OPEB plans will be presented after this section.

16. Other Postemployment Benefits – VRS Programs (Continued)

Actuarial Assumptions

The total GLI and HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2017, 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, 2018.

	General Employees	Public Safety	Teacher Plan
Assumptions used in calculations:			
Investment rate of return*	7.00%	7.00%	7.00%
Projected salary increases	3.50 – 5.35%	3.50 – 4.75%	3.50 – 5.95%
Includes inflation at	2.50%	2.50%	2.50%
Mortality rates: % of deaths to be service related	15.00%	45.00%	Not available
Mortality tables:			
Pre-retirement	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-retirement	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.
Changes of assumptions:			
The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The following are the changes to the actuarial assumptions as a result of the experience study.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75. Adjusted withdrawal rates to better fit experience at each age and service year. Lowered disability rates. No change to salary scale. Increased Line of Duty Disability rate from 14% to 15%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 retirement rates and lowered rates at older ages. Adjusted withdrawal rates to better fit experience at each age and service year. Adjusted disability rates to better fit experience. No change to salary scale. Decreased Line of Duty Disability rate from 60% to 45%.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. No change to salary scale. Adjusted disability rates to better match experience.

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for U.S. GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

16. Other Postemployment Benefits – VRS Programs (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS’s 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 System’s 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
* Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 6.83%, including expected inflation of 2.50%.

Virginia Retirement System – Group Life Insurance

A. Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI upon employment. This plan is administered by VRS, along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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 OPEB liability.

16. **Other Postemployment Benefits – VRS Programs (Continued)**

The specific information for GLI OPEB, including eligibility, coverage, and benefits is set out in the table below:

GLI PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.</p>

16. Other Postemployment Benefits – VRS Programs (Continued)

B. Contributions

The contribution requirements for the GLI are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City to the GLI were \$33,243 and \$32,368 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI from the Schools were \$64,187 and \$62,813 for the years ended June 30, 2019 and June 30, 2018, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows and Inflows of Resources

Political Subdivision Plans

At June 30, 2019, the City and Schools reported a liability of \$497,000 and \$42,000, respectively, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the City's proportion was 0.03274% as compared to 0.03300% at June 30, 2017. At June 30, 2018, the Schools' proportion was 0.00277% as compared to 0.00300% at June 30, 2017.

Teachers' Cost-Sharing Plan

At June 30, 2019, the Schools reported a liability of \$922,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Schools' proportion was 0.06075% as compared to 0.06225% at June 30, 2017.

16. **Other Postemployment Benefits – VRS Programs** (Continued)

C. **GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows and Inflows of Resources** (Continued)

For the year ended June 30, 2019, the City and Schools recognized GLI OPEB expense of \$4,368 and \$43,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit - Schools	
	Governmental Activities	Business-type Activities	Political Subdivision Plan	Teacher Cost - Sharing Plan
Deferred Inflows:				
Net difference between projected and actual earnings on OPEB plan investments	\$ (15,384)	\$ (616)	\$ (1,000)	\$ (30,000)
Difference between expected and actual experience	(8,654)	(346)	(1,000)	(17,000)
Deferred change in proportionate share of contributions	(2,885)	(115)	-	(22,000)
Change of assumptions	(20,191)	(809)	(2,000)	(38,000)
Total Deferred Inflows	\$ (47,114)	\$ (1,886)	\$ (4,000)	\$ (107,000)
Deferred Outflows:				
Difference between expected and actual experience	\$ 23,075	\$ 925	\$ 2,000	\$ 45,000
Deferred change in proportionate share of contributions	11,538	462	-	3,000
Employer contributions subsequent to the measurement date	31,963	1,280	2,798	61,389
Total Deferred Outflows	\$ 66,576	\$ 2,667	\$ 4,798	\$ 109,389

16. Other Postemployment Benefits – VRS Programs (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows and Inflows of Resources (Continued)

\$33,243 and \$64,187 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's and Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Years Ending June 30,</u>	<u>Component Unit - Schools</u>		
	<u>City</u>	<u>Political Subdivision Plan</u>	<u>Teacher Cost - Sharing Plan</u>
2020	\$ (6,000)	\$ (1,000)	\$ (17,000)
2021	(6,000)	(1,000)	(17,000)
2022	(6,000)	-	(17,000)
2023	(1,000)	-	(9,000)
2024	6,000	-	(1,000)
Thereafter	-	-	2,000
Total	<u>\$ (13,000)</u>	<u>\$ (2,000)</u>	<u>\$ (59,000)</u>

D. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	<u>1,594,773</u>
Employer's Net GLI OPEB Liability	<u>\$ 1,518,735</u>

Plan Fiduciary Net Position as a Percentage of the
Total GLI OPEB Liability 51.22%

The total GLI OPEB liability is calculated by VRS's actuary, and each plan's fiduciary net position is reported in VRS's financial statements. The net GLI OPEB liability is disclosed in accordance with U.S. GAAP in VRS's notes to the financial statements and required supplementary information.

16. Other Postemployment Benefits – VRS Programs (Continued)

E. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per 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, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

F. Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the City’s and Schools’ proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's GLI OPEB Liability	\$ 650,000	\$ 497,000	\$ 373,000
Schools' GLI OPEB Liability	\$ 55,000	\$ 42,000	\$ 32,000
Teacher Employee Plan's GLI OPEB Liability	\$ 1,206,000	\$ 922,000	\$ 693,000

Virginia Retirement System – Health Insurance Credit (HIC)

A. Plan Description

All full-time, salaried permanent employees of participating political subdivisions and public school divisions are automatically covered by the VRS Political Subdivision HIC and VRS Teacher HIC. This plan is administered by VRS, along with pension and other OPEB plans for public employer groups in the Commonwealth of Virginia. 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 HIC 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.

16. **Other Postemployment Benefits (OPEB) – VRS Programs (Continued)**

The specific information for the HIC plan provisions, including eligibility, coverage, and benefits is set out in the table below:

POLITICAL SUBDIVISION HIC PLAN PROVISIONS	TEACHER EMPLOYEE HIC PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of public school divisions covered under VRS. 	<p>Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts The political subdivision’s Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month. 	<p>Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree. 	<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

16. Other Postemployment Benefits (OPEB) – VRS Programs (*Continued*)

B. Contributions

Political Subdivision Plans

The contribution requirement for active employees is governed by § 51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions and school divisions by the Virginia General Assembly. The City and Schools' contractually required employer contribution rate for the year ended June 30, 2019 was 0.27% and 0.87%, respectively, of covered employee compensation for employees in the HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City to the Political Subdivision HIC were \$16,003 and \$14,894 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the Schools to the Political Subdivision HIC for non-professional employees were \$4,681 and \$4,269 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teachers' Cost-Sharing Plan

The contribution requirement for active employees is governed by § 51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. The Schools' contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the Teacher HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Schools to the Teacher HIC were \$141,666 and \$146,364 for the years ended June 30, 2019 and June 30, 2018, respectively.

C. Net HIC OPEB Liabilities

Political Subdivision Plan

At June 30, 2019, the City and Schools reported a liability of \$131,099 and \$59,000, respectively, for their proportionate share of the VRS Political Subdivision HIC net OPEB liability. The Political Subdivision net OPEB liability was measured as of June 30, 2018 and the total Political Subdivision OPEB liability used to calculate the Political Subdivision Net OPEB liability was determined by an actuarial valuation as of that date. The City and Schools' proportion of the Political Subdivision net OPEB liability was based on the City and school division's actuarially determined employer contributions to the Political Subdivision OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the City's proportion of the Political Subdivision net OPEB liability was 0.75435% as compared to 0.75790% at June 30, 2017. At June 30, 2018, the Schools' proportion of the Political Subdivision net OPEB liability was 0.33949% as compared to 0.33449% at June 30, 2017.

Teachers' Cost-Sharing Plan

At June 30, 2019, the Schools reported a liability of \$1,814,000 for its proportionate share of the VRS Teacher HIC net OPEB liability. The Teacher HIC net OPEB liability was measured as of June 30, 2018 and the total Teacher HIC OPEB liability used to calculate the Teacher HIC Net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the Teacher HIC net OPEB liability was based on the Schools' actuarially determined employer contributions to the Teacher HIC OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Schools' proportion of the Teacher HIC net OPEB liability was 0.14285% as compared to 0.14545% at June 30, 2017.

16. **Other Postemployment Benefits (OPEB) – VRS Programs** (Continued)

C. **Net HIC OPEB Liabilities** (Continued)

For the year ended June 30, 2019, the City and Schools recognized HIC OPEB expense of \$12,591 and \$25,000, respectively. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the HIC net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the City and Schools reported deferred inflows of resources and deferred outflows of resources related to the HIC OPEB from the following sources:

	Primary Government		Component Unit - Schools	
	Governmental Activities	Business-type Activities	Political Subdivision Plan	Teacher Cost - Sharing Plan
	Deferred Inflows:			
Net difference between projected and actual earnings on OPEB plan investments	\$ (3,501)	\$ (153)	\$ -	\$ (1,000)
Difference between expected and actual experience	(1,726)	(76)	-	(9,000)
Change of assumptions	(7,466)	(326)	-	(16,000)
Deferred change in proportionate share of contributions	-	-	-	(29,000)
Total Deferred Inflows	<u>\$ (12,693)</u>	<u>\$ (555)</u>	<u>\$ -</u>	<u>\$ (55,000)</u>
Deferred Outflows:				
Employer contributions subsequent to the measurement date	15,336	667	4,681	141,666
Total Deferred Outflows	<u>\$ 15,336</u>	<u>\$ 667</u>	<u>\$ 4,681</u>	<u>\$ 141,666</u>

\$16,003 and \$146,347 reported as deferred outflows of resources related to the City HIC and Schools HIC from the City and Schools' contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the HIC OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the City and Schools HIC OPEB expense in future reporting periods as follows:

Years Ending June 30,	City	Component Unit - Schools	
		Political Subdivision Plan	Teacher Cost - Sharing Plan
2020	\$ (4,248)	\$ -	\$ (9,000)
2021	(3,000)	-	(9,000)
2022	(3,000)	-	(9,000)
2023	(2,000)	-	(8,000)
2024	(1,000)	-	(8,000)
Thereafter	-	-	(12,000)
Total	<u>\$ (13,248)</u>	<u>\$ -</u>	<u>\$ (55,000)</u>

16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

D. HIC Program OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision and Teacher Employee HIC represents the program’s total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Political Subdivision and Teacher Employee HIC are as follows (amounts expressed in thousands):

	Political Subdivision HIC OPEB Program	Teacher Employee HIC OPEB Program
Total HIC OPEB Liability	\$ 40,550	\$ 1,381,313
Plan Fiduciary Net Position	23,171	111,639
Employer's Net HIC OPEB Liability	<u>\$ 17,379</u>	<u>\$ 1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	57.14%	8.08%
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The total Political Subdivision and Teacher Employee HIC OPEB liability is calculated by VRS’s actuary, and the plan’s fiduciary net position is reported in VRS’s financial statements. The net Political Subdivision and Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of U.S. GAAP in VRS’s notes to the financial statements and required supplementary information.

E. Discount Rate

The discount rate used to measure the total Political Subdivision and Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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, 2018, the rate contributed by each school division for the VRS Political Subdivision and Teacher HIC will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC 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 Political Subdivision and Teacher Employee HIC OPEB liability.

16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

F. Sensitivity of the City and Schools’ Proportionate Share of the Political Subdivision and Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the City and Schools’ proportionate share of the net HIC OPEB liability using the discount rate of 7.00%, as well as what the proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's HIC calculated OPEB Liability	\$ 161,000	\$ 131,099	\$ 106,000
Schools' HIC calculated OPEB Liability	\$ 65,000	\$ 59,000	\$ 54,000
Teacher's HIC calculated OPEB liability	\$ 2,026,000	\$ 1,814,000	\$ 1,634,000

17. Other Postemployment Benefits (OPEB) – Local Plans

A. Plan Descriptions

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 5 years) equal to 70. For the Schools, no assets are accumulated in a trust that meets U.S. GAAP’s 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, 919 E. Main Street, Suite 1100, Richmond, Virginia 23219.

B. Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

	Primary Government	Component Unit - Schools
Total Active employees with coverage	125	282
Total Retirees receiving benefit payments	13	5
	<u>138</u>	<u>287</u>

17. Other Postemployment Benefits (OPEB) – Local Plans (Continued)

C. 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. At June 30, 2019, five retirees were participating in this program. 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.

D. 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% - 100% of the premiums based on the retiree's years of continuous health care 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 at June 30, 2019 was \$167,239.

E. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined based on a roll-forward of the actuarial valuation as of June 30, 2018.

The Schools' total OPEB liability was measured as of June 30, 2019 based on a roll-forward of the actuarial valuation as of June 30, 2018.

17. Other Postemployment Benefits (OPEB) – Local Plans (Continued)

F. Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2019 from the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	General Employees	Public Safety	Teacher Plan
Assumptions used in calculations:			
Investment rate of return*	6.00%	6.00%	N/A
Projected salary increases	2.50%	2.50%	2.50%
Includes inflation at	2.50%	2.50%	2.50%
Healthcare cost trend rate:	5.50%	5.50%	5.50%
Mortality tables:			
Preretirement	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-retirement	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

*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 in June 2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study on behalf of the VRS for the four-year period ending June 30, 2016.

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.75% 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 indices published by Bond Buyer and Fidelity for 20-year general obligation bonds as of June 30, 2018.

17. **Other Postemployment Benefits (OPEB) – Local Plans** *(continued)*

H. Changes in the Net OPEB Liability

<u>City OPEB Trust:</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance, July 1, 2018	\$ 1,966,981	\$ 85,148	\$ 1,881,833
Changes for the year:			
Service cost	67,825	-	67,825
Interest	74,639	-	74,639
Difference between expected and actual experience	11,543	-	11,543
Contributions - employer	-	167,239	(167,239)
Contributions - employee	-	83,763	(83,763)
Net investment income	-	547	(547)
Benefit payments	(100,431)	(148,629)	48,198
Net changes	53,576	102,920	(49,344)
Balance, June 30, 2019	<u>\$ 2,020,557</u>	<u>\$ 188,068</u>	<u>\$ 1,832,489</u>

<u>School OPEB Plan:</u>	<u>Increase (Decrease) Total OPEB Liability</u>
Balance, July 1, 2018	\$ 201,093
Changes for the year:	
Service cost	11,808
Interest	7,657
Difference between expected and actual experience	126,552
Benefit payments	(143,973)
Net changes	2,044
Balance, June 30, 2019	<u>\$ 203,137</u>

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current discount rate:

	<u>Change in Discount Return</u>		
	<u>1.00% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1.00% Increase (4.75%)</u>
City's Net OPEB Liability	\$ 2,022,401	\$ 1,832,489	\$ 1,663,283
Schools' Total OPEB Liability	<u>\$ 217,578</u>	<u>\$ 203,137</u>	<u>\$ 189,589</u>

17. **Other Postemployment Benefits (OPEB) – Local Plans** *(continued)*

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 4.5%) or 1-percentage-point higher (5.5% increasing to 6.5%) than the current healthcare cost trend rates:

	Change in Health Care Cost Trend		
	1.00% Decrease (4.5%)	Current Discount Rate (5.5%)	1.00% Increase (6.5%)
	City's Net OPEB Liability	\$ 1,615,191	\$ 1,832,489
Schools' Total OPEB Liability	\$ 182,184	\$ 203,137	\$ 227,763

K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the City and Schools recognized OPEB expense of \$11,196 and \$(164,628), respectively. At June 30, 2019, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit - Schools
	Governmental Activities	Business-Type Activities	Single Employer Plan
	Deferred Inflows:		
Change of assumptions	\$ (182,390)	\$ (6,812)	\$ (43,314)
Total Deferred Inflows	\$ (182,390)	\$ (6,812)	\$ (43,314)
Deferred Outflows:			
Net difference between projected and actual earnings on OPEB plan investments	\$ 5,422	\$ 203	\$ -
Difference between expected and actual experience	417,364	15,586	209,986
Total Deferred Outflows	\$ 422,786	\$ 15,789	\$ 209,986

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	City	Component Unit - Schools
2020	\$ 59,564	\$ 25,903
2021	59,564	25,903
2022	59,562	25,903
2023	59,551	25,903
2024	10,888	25,903
Thereafter	244	37,157
Total	\$ 249,373	\$ 166,672

* * * * *

Required Supplementary Information

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources				
Revenue from local sources				
General property taxes				
Real property taxes	\$ 17,796,900	\$ 17,796,900	\$ 17,742,683	\$ (54,217)
Public service corporation property taxes	267,000	267,000	262,580	(4,420)
Personal property	2,588,599	2,588,599	2,843,129	254,530
Penalties and interest	145,000	145,000	122,666	(22,334)
Total general property taxes	20,797,499	20,797,499	20,971,058	173,559
Other local taxes				
Sales and use taxes	1,056,000	1,056,000	1,019,049	(36,951)
Meals taxes	755,000	755,000	747,136	(7,864)
Cigarette taxes	100,000	100,000	82,704	(17,296)
Consumers' utility taxes	305,000	305,000	297,250	(7,750)
Consumption tax	40,000	40,000	41,086	1,086
Business license taxes	435,000	435,000	393,729	(41,271)
Bank stock taxes	40,000	40,000	55,212	15,212
Recordation and wills taxes	200,000	200,000	191,869	(8,131)
Deeds of conveyance	40,000	40,000	40,497	497
Total other local taxes	2,971,000	2,971,000	2,868,532	(102,468)
Permits, privilege fees, and regulatory licenses				
Animal license	1,000	1,000	1,115	115
Permits and other licenses	146,000	146,000	114,097	(31,903)
Total permits, privilege fees, and regulatory licenses	147,000	147,000	115,212	(31,788)
Fines and forfeitures				
	42,000	42,000	30,474	(11,526)
Revenue from use of money and property				
Revenue from use of money	70,000	70,000	153,941	83,941
Revenue from use of property	191,300	191,300	205,056	13,756
Total revenue from use of money and property	261,300	261,300	358,997	97,697

(Continued)

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources (Continued)				
Charges for services				
Charges for copying	4,000	4,000	6,421	2,421
Charges for passport processing	55,000	55,000	57,218	2,218
Charges for library and fees	17,200	17,200	16,841	(359)
EMS revenue recovery	334,000	334,000	348,826	14,826
Charges for school grounds maintenance	3,000	3,000	-	(3,000)
Charges for parks and recreation programs	134,600	139,600	148,374	8,774
Charges for pool	65,300	65,300	65,246	(54)
Charges for events	152,502	152,502	133,402	(19,100)
Total charges for services	765,602	770,602	776,328	5,726
Miscellaneous revenue				
Miscellaneous	6,000	6,000	5,067	(933)
Miscellaneous grants	-	-	-	-
Donations - library	-	15,139	15,139	-
Donations - police	-	1,390	2,090	700
Gain on sale of capital assets	-	32,807	35,302	2,495
Total miscellaneous revenue	6,000	56,571	58,833	2,262
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
DMV reimbursement	128,000	128,000	132,048	4,048
Mobile home titling taxes	12,000	12,000	20,286	8,286
Rolling stock tax	-	-	12	12
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
Total noncategorical aid	2,063,435	2,063,435	2,075,777	12,342
Categorical aid				
Shared expenses				
Commissioner of the Revenue	98,830	98,830	98,082	(748)
Treasurer	101,497	101,497	101,538	41
Registrar/Electoral Board	35,000	35,000	37,500	2,500
Total categorical aid	235,327	235,327	237,120	1,793

(Continued)

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues and other financing sources (Continued)				
Other categorical aid				
State 599 police funds	249,610	249,610	249,620	10
Fire and EMS	-	55,129	55,130	1
Department of Emergency Services	-	21,220	16,874	(4,346)
Street and highway maintenance	880,000	880,000	880,000	-
Litter control	-	6,207	6,207	-
Library	143,481	145,789	145,789	-
Children's Services Act	252,000	252,000	266,593	14,593
State drug seizure	-	1,041	1,116	75
Other state grants	62,584	62,584	64,978	2,394
Total other categorical aid	1,587,675	1,673,580	1,686,307	12,727
Total categorical aid	1,823,002	1,908,907	1,923,427	14,520
Total revenue from the Commonwealth	3,886,437	3,972,342	3,999,204	26,862
Revenue from the federal government				
Federal grants	2,300	46,553	20,547	(26,006)
Miscellaneous	800	800	825	25
Total revenue from the federal government	3,100	47,353	21,372	(25,981)
Other financing sources				
Capital lease	-	-	142,447	142,447
Transfer from Sewer Fund	150,000	150,000	150,000	-
Transfer from Solid Waste Fund	50,000	50,000	50,000	-
Transfer from unappropriated fund	-	525,990	-	(525,990)
Total other financing sources	200,000	725,990	342,447	(383,543)
Total revenue and other financing sources	29,079,938	29,791,657	29,542,457	(249,200)

(Continued)

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Expenditures and other financing uses				
General government administration				
Legislative - City Council	66,402	66,402	70,373	(3,971)
General and financial administration				
City Manager	444,247	459,399	458,112	1,287
Legal services	119,305	119,305	112,039	7,266
Independent auditor	45,000	45,000	43,251	1,749
Commissioner of the Revenue	286,106	289,072	307,861	(18,789)
Assessor/equalization board	206,261	209,634	195,160	14,474
Treasurer	347,093	350,866	341,913	8,953
Finance	500,188	593,579	593,318	261
Technology	97,200	97,200	98,937	(1,737)
Risk management	52,061	55,869	57,909	(2,040)
Total general and financial administration	2,097,461	2,219,924	2,208,500	11,424
Board of Elections - Electoral Board and Registrar	163,848	166,147	164,995	1,152
Total general government administration	2,327,711	2,452,473	2,443,868	8,605
Judicial Administration				
Courts	264,854	264,854	263,971	883
Sheriff	212,166	212,166	212,166	-
Total judicial administration	477,020	477,020	476,137	883
Public Safety				
Law enforcement and traffic control - police department	3,109,806	3,148,964	3,137,352	11,612
Fire and rescue services - fire department	3,113,534	3,307,946	3,230,585	77,361
Correction and detention - regional operated institutions	329,058	329,058	326,190	2,868
Inspections - various	250,792	254,811	252,007	2,804
Other protection - animal control	74,465	74,465	74,082	383
Total public safety	6,877,655	7,115,244	7,020,216	95,028

(Continued)

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Other Financing Uses				
Transfers to Debt Service Fund	3,813,627	3,813,627	3,813,627	-
Transfers to Capital Projects Fund	10,186	128,239	128,239	-
Transfers to Solid Waste Fund	-	1,853	1,853	-
Transfers to Fleet Fund	-	5,480	5,480	-
Total other financing uses	<u>3,823,813</u>	<u>3,949,199</u>	<u>3,949,199</u>	<u>-</u>
Total expenditures and other financing uses	<u>29,063,521</u>	<u>29,775,240</u>	<u>29,273,172</u>	<u>518,485</u>
Excess of revenue and other financing sources over expenditures and other financing uses - budgetary basis	<u>\$ 16,417</u>	<u>\$ 16,417</u>	<u>269,285</u>	<u>\$ 269,285</u>
Less encumbrances beginning of year, actually expended as of end of year			<u>(270,592)</u>	
Add encumbrances outstanding end of year			<u>103,269</u>	
The Grant Fund is consolidated into the General Fund for reporting purposes:				
Revenues				
Local matching funds			43,737	
State grant			125,007	
Federal grant			496,065	
Total Revenues			<u>664,809</u>	
Expenditures				
Community Development expenditures			<u>583,795</u>	
Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis			182,976	
Fund balances, June 30, 2018			<u>8,332,630</u>	
Fund balances, June 30, 2019			<u>\$ 8,515,606</u>	

(Concluded)

Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - City

Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Schedule of Changes in Net Pension Liability and Related Ratios					
Total Pension Liability					
Service cost	\$ 818,997	\$ 724,837	\$ 713,981	\$ 668,757	\$ 699,997
Interest	2,124,606	2,087,510	1,999,442	1,940,826	1,830,447
Change in assumptions	-	(350,459)	-	-	-
Difference between expected and actual experience	299,978	(525,567)	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Net change in total pension liability	1,536,232	830,918	1,321,936	849,007	1,577,734
Plan total pension liability, beginning	31,205,195	30,374,277	29,052,341	28,203,334	26,625,600
Plan total pension liability, ending	\$32,741,427	\$31,205,195	\$30,374,277	\$29,052,341	\$28,203,334
Plan Fiduciary Net Pension					
Contributions - employer	\$ 534,293	\$ 527,937	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	305,122	319,696	285,757	282,529	274,820
Net investment income	2,181,520	3,261,440	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Administrative expense	(19,140)	(18,731)	(16,118)	(15,704)	(18,572)
Other changes	(1,924)	(2,903)	(196)	(243)	199
Net change in plan fiduciary net position	1,292,522	2,982,036	508,383	1,054,254	3,263,641
Plan fiduciary net position, beginning	29,699,990	26,717,954	26,209,571	25,155,317	21,891,693
Plan fiduciary net position, ending	\$30,992,512	\$29,699,990	\$26,717,954	\$26,209,571	\$25,155,334
Plan net pension liability, ending	\$ 1,748,915	\$ 1,505,205	\$ 3,656,323	\$ 2,842,770	\$ 3,048,000
Plan fiduciary net position as a percentage of the total pension liability	94.66%	95.18%	87.96%	90.22%	89.19%
Covered payroll	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974	\$ 5,499,693
Plan net position liability as a percentage of covered payroll	28.18%	24.73%	63.46%	50.04%	55.42%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Contractually required contribution	\$ 671,001	\$ 606,319	\$ 594,684	\$ 747,041	\$ 725,460
Contribution in relation to contractually required contribution	665,515	545,751	527,937	720,636	619,948
Contribution (deficiency)	\$ (5,486)	\$ (60,568)	\$ (66,747)	\$ (26,405)	\$ (105,512)
Covered payroll	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	10.42%	8.79%	8.67%	12.51%	10.91%

Notes to Schedule:

Contractually required contributions are developed using the entry age normal actuarial cost method. There have been no changes to the benefit provisions since the prior actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age
Amortization method:	Level percent closed
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	3.5% to 5.35% per annum, compounded annually
Investment rate of return:	7.0% per annum, compounded annually

NOTE: U.S. GAAP requires 10-year trend information. As fiscal year 2015 was the year of implementation, additional years will be displayed as the information becomes available.

Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Schools

Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Schedule of Changes in Net Pension Liability and Related Ratios					
Total Pension Liability					
Service cost	\$ 52,308	\$ 54,653	\$ 59,525	\$ 55,952	\$ 62,503
Interest	156,761	160,141	152,141	147,547	143,652
Change in assumptions	-	11,087	-	-	-
Difference between expected and actual experience	(52,431)	(127,994)	51,061	20,244	-
Benefit payments, including refunds of member contributions	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Net change in total pension liability	897	(38,727)	102,456	67,791	61,078
Plan total pension liability, beginning	2,317,307	2,356,034	2,253,578	2,185,787	2,124,709
Plan total pension liability, ending	\$ 2,318,204	\$ 2,317,307	\$ 2,356,034	\$ 2,253,578	\$ 2,185,787
Plan Fiduciary Net Pension					
Contributions - employer	\$ 51,238	\$ 55,375	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	24,084	25,660	24,934	25,682	23,877
Net investment income	149,347	227,250	32,149	86,123	264,482
Benefit payments, including refunds of member contributions	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Administrative expense	(1,330)	(1,339)	(1,222)	(1,229)	(1,455)
Other changes	(132)	(201)	(14)	(16)	(14)
Net change in plan fiduciary net position	67,466	170,131	(41,673)	18,732	211,881
Plan fiduciary net position, beginning	2,059,005	1,888,874	1,930,547	1,911,815	1,699,906
Plan fiduciary net position, ending	\$ 2,126,471	\$ 2,059,005	\$ 1,888,874	\$ 1,930,547	\$ 1,911,787
Plan net pension liability, ending	\$ 191,733	\$ 258,302	\$ 467,160	\$ 323,031	\$ 274,000
Plan fiduciary net position as a percentage of the total pension liability	91.73%	88.85%	80.17%	85.67%	87.46%
Covered payroll	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843	\$ 508,270
Plan net position liability as a percentage of covered payroll	36.38%	46.74%	88.39%	52.62%	53.91%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Contractually required contribution	\$ 44,606	\$ 55,965	\$ 58,689	\$ 64,375	\$ 74,766
Contribution in relation to contractually required contribution	45,082	51,375	56,380	64,333	66,869
Contribution excess	\$ 476	\$ (4,590)	\$ (2,309)	\$ (42)	\$ (7,897)
Covered payroll	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered payroll	8.38%	9.75%	10.20%	12.17%	10.89%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age
Amortization method:	Level percent closed
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	3.5% to 5.35% per annum, compounded annually
Investment rate of return:	7.0% per annum, compounded annually

NOTE: U.S. GAAP requires 10-year trend information. As fiscal year 2015 was the year of implementation, additional years will be displayed as the information becomes available.

Schedules of Changes in Schools' Proportionate Share of the Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Teachers' Pool

Year Ended June 30, 2019

	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	0.14390%	0.14631%	0.14548%	0.14682%	0.14753%
Employer's proportionate share of the net pension liability	\$ 16,923,000	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 17,829,000
Employer's covered payroll	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	146.40%	156.58%	183.72%	168.46%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	72.92%	68.28%	70.68%	70.88%
Schedule of Employer Contributions					
Contractually required contribution	\$ 1,850,781	\$ 1,886,472	\$ 1,684,583	\$ 1,609,075	\$ 1,590,551
Contribution in relation to contractually required contribution	2,060,506	1,836,367	1,652,204	1,555,410	1,564,756
Contribution excess (deficiency)	\$ 209,725	\$ (50,105)	\$ (32,379)	\$ (53,665)	\$ (25,795)
Covered payroll	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	17.46%	15.89%	14.38%	14.02%	14.26%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percent closed
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	3.5% to 5.35% per annum, compounded annually
Investment rate of return:	7.0% per annum, compounded annually

NOTE: U.S. GAAP requires 10-year trend information. As fiscal year 2015 was the year of implementation, additional years will be displayed as the information becomes available.

Schedules of Changes in Net OPEB Liability and Related Ratios and Employer Contributions (Unaudited) - OPEB Trust - City

Year Ended June 30, 2019

Schedule of Changes in Net OPEB Liability and Related Ratios

	2019	2018
Total OPEB Liability		
Service cost	\$ 67,825	\$ 77,260
Interest	74,639	56,357
Change in benefit terms	-	695,727
Change in assumptions	-	626,795
Difference between expected and actual experience	11,543	(280,164)
Benefit payments, including refunds of member contributions	(100,431)	(47,037)
Net change in total OPEB liability	53,576	1,128,938
Plan total OPEB liability, beginning	1,966,981	838,043
Plan total OPEB liability, ending	\$ 2,020,557	\$ 1,966,981
Plan Fiduciary Net OPEB		
Contributions - employer	\$ 167,239	\$ 106,774
Contributions - employee	83,763	70,306
Net investment income	547	238
Benefit payments	(148,629)	(92,170)
Net change in plan fiduciary net position	102,920	85,148
Plan fiduciary net position, beginning	85,148	-
Plan fiduciary net position, ending	\$ 188,068	\$ 85,148
Plan net OPEB liability, ending	\$ 1,832,489	\$ 1,881,833
Plan fiduciary net position as a percentage of the total OPEB liability	9.31%	4.33%
Covered payroll	\$ 7,562,087	\$ 7,020,980
Plan net position liability as a percentage of covered payroll	24.23%	26.80%

Note to Schedule: There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Schedule of Employer Contributions

Date	Contributions	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 167,239	\$ 7,562,087	2.21%
6/30/2018	25,000	7,020,980	0.36%
6/30/2017	18,316	7,033,793	0.26%
6/30/2016	49,751	6,705,875	0.74%
6/30/2015	(1,875)	6,518,638	-0.03%
6/30/2014	3,419	6,383,012	0.05%
6/30/2013	(7,371)	6,304,830	-0.12%
6/30/2012	12,593	6,251,323	0.20%
6/30/2011	(11,189)	4,461,270	-0.25%

Annual money-weighted rate of return

2019	2018
0.44%	5.30%

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age
Amortization method:	Level percent closec
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	3.5% to 5.35% per annum, compounded annually
Investment rate of return:	6.0% per annum, compounded annually
Healthcare cost trend rate:	5.50%

NOTE: Schedule is intended to show information for 10 years. June 30, 2018 was the first year for this presentation. Information prior to June 30, 2011 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

Year Ended June 30, 2019

Schedule of Changes in Net OPEB Liability and Related Ratios

	2019	2018
Total OPEB Liability		
Service cost	\$ 11,808	\$ 15,200
Interest	7,657	10,003
Change in assumptions	-	134,473
Difference between expected and actual experience	126,552	(58,566)
Benefit payments, including refunds of member contributions	(143,973)	(180,365)
Net change in total OPEB liability	2,044	(79,255)
Plan total OPEB liability, beginning	201,093	280,348
Plan total OPEB liability, ending	\$ 203,137	\$ 201,093
Covered payroll	\$ 12,294,917	\$ 12,005,045
Net OPEB liability as a percentage of covered payroll	1.65%	1.68%

Notes to Schedule:

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

Schedule of Employer Contributions

Date	Contributions	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 143,973	\$ 12,294,917	1.17%
6/30/2018	180,365	12,005,045	1.50%
6/30/2017	136,424	12,043,641	1.13%
6/30/2016	89,615	11,604,391	0.77%
6/30/2015	131,627	11,373,696	1.16%
6/30/2014	13,889	9,707,470	0.14%
6/30/2013	78,497	11,347,601	0.69%
6/30/2012	99,200	11,631,825	0.85%
6/30/2011	(5,612)	11,603,841	-0.05%

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age
Amortization method:	Level percent closed
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	2.5% per annum, compounded annually
Investment rate of return:	N/A
Healthcare cost trend rate:	5.50%

NOTE: Schedule is intended to show information for 10 years. June 30, 2018 was the first year for the change schedule. Information prior to June 30, 2011 is not available; however, additional years will be included as they become available.

Schedules of Employer Share of Net OPEB Liability Group Life Insurance (GLI) Program and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - City

Year Ended June 30, 2019

Schedule of Proportionate Share of Net OPEB Liability GLI Program and Related Ratios

	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.03274%	0.03300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 497,000	\$ 497,000
Covered Payroll	\$ 6,205,925	\$ 6,086,833
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.01%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 33,224	\$ 33,243	(19)	\$ 6,389,305	0.52%
6/30/2018	32,271	32,368	(97)	6,205,925	0.52%
6/30/2017	31,652	31,652	-	6,086,833	0.52%
6/30/2016	30,535	27,660	2,875	5,761,310	0.48%
6/30/2015	30,109	27,243	2,866	5,680,974	0.48%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

Note: 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, 2015 is not available; however, additional years will be included as they become available

Schedules of Employer Share of Net OPEB Liability Group Life Insurance (GLI) Program and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Schools

Year Ended June 30, 2019

Schedule of Proportionate Share of Net OPEB Liability GLI Program and Related Ratios

	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.00277%	0.00300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 42,000	\$ 45,000
Covered Payroll	\$ 526,973	\$ 552,624
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.97%	8.14%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 2,798	\$ 2,798	\$ -	\$ 538,066	0.52%
6/30/2018	2,740	2,740	-	526,973	0.52%
6/30/2017	2,874	2,874	-	552,624	0.52%
6/30/2016	2,537	2,537	-	528,531	0.48%
6/30/2015	2,946	2,578	368	613,843	0.42%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

Note: 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, 2015 is not available; however, additional years will be included as they become available.

Schedules of Employer Share of Net OPEB Liability Group Life Insurance (GLI) Program and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Teachers' Pool

Year Ended June 30, 2019

Schedule of Proportionate Share of Net OPEB Liability GLI Program and Related Ratios

	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net GLI OPEB Liability	0.06075%	0.06225%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 922,000	\$ 937,000
Covered Payroll	\$ 11,559,264	\$ 11,491,017
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.98%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions 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>
6/30/2019	\$ 61,378	\$ 61,389	(11)	\$ 11,803,449	0.52%
6/30/2018	60,108	60,073	35	11,559,264	0.52%
6/30/2017	59,753	59,719	34	11,491,017	0.52%
6/30/2016	53,266	53,630	(364)	11,097,066	0.48%
6/30/2015	52,653	52,396	257	10,969,314	0.48%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

Note: 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, 2015 is not available; however, additional years will be included as they become available.

Schedules of Employer Share of Net OPEB Liability Health Insurance Credit (HIC) Program and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - City

Year Ended June 30, 2019

Schedule of Proportionate Share of Net OPEB Liability HIC Program and Related Ratios

	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.75435%	0.75790%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 131,099	\$ 131,420
Covered Payroll	\$ 6,205,925	\$ 5,591,072
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	2.11%	2.35%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	57.39%	56.13%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 17,251	\$ 16,003	1,248	\$ 6,389,305	0.25%
6/30/2018	16,135	14,894	1,241	6,205,925	0.24%
6/30/2017	14,537	14,537	-	5,591,072	0.26%
6/30/2016	15,379	15,119	260	5,303,225	0.29%
6/30/2015	15,138	15,111	27	5,220,099	0.29%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

Note: 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, 2015 is not available; however, additional years will be included as they become available.

Schedules of Employer Share of Net OPEB Liability Health Insurance Credit (HIC) Program and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Schools

Year Ended June 30, 2019

Schedule of Proportionate Share of Net OPEB Liability HIC Program and Related Ratios

	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.33949%	0.33449%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 59,000	\$ 58,000
Covered Payroll	\$ 526,973	\$ 552,624
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	11.20%	10.50%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	57.39%	56.13%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 4,681	\$ 4,681	-	\$ 538,066	0.87%
6/30/2018	4,284	4,269	15	526,973	0.81%
6/30/2017	6,134	4,476	1,658	552,624	0.81%
6/30/2016	4,440	4,440	-	528,531	0.84%
6/30/2015	5,156	4,510	646	613,843	0.73%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

Note: 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, 2015 is not available; however, additional years will be included as they become available.

Schedules of Employer Share of Net OPEB Liability Health Insurance Credit (HIC) Program and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Teachers' Pool

Year Ended June 30, 2019

Schedule of Proportionate Share of Net OPEB Liability HIC Program and Related Ratios

	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.14285%	0.14545%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 1,814,000	\$ 1,845,000
Covered Payroll	\$ 11,559,264	\$ 11,491,017
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	15.69%	16.06%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.08%	7.04%

Notes to Schedule:

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

Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2019	\$ 141,641	\$ 141,666	(25)	\$ 11,803,449	1.20%
6/30/2018	142,179	146,364	(4,185)	11,559,264	1.27%
6/30/2017	127,550	127,508	42	11,491,017	1.11%
6/30/2016	117,629	117,608	21	11,097,066	1.06%
6/30/2015	116,714	115,710	1,004	10,969,314	1.05%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

Note: 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, 2015 is not available; however, additional years will be included as they become available.

June 30, 2019

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 budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for the recognition of encumbrances as expenditures. Budgets for Capital Projects and Debt Service funds are not legally adopted budgets.

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

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

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

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Other Supplementary Information

Statement of Changes in Assets and Liabilities - Library Agency Fund

Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assets				
Cash and cash equivalents	\$ 20,848	\$ -	\$ 3,476	\$ 17,372
Liabilities				
Amounts held for others	\$ 20,848	\$ -	\$ 3,476	\$ 17,372

Combining Balance Sheet - Component Unit - Poquoson City Public Schools

June 30, 2019

	Governmental Activities		Total Schools
	General	Special Revenue	
Assets			
Cash and cash equivalents	\$ 2,831,945	\$ -	\$ 2,831,945
Restricted cash and cash equivalents	-	316,547	316,547
Due from other governmental units	290,212	-	290,212
Other receivables	1,919	-	1,919
Inventory	-	20,701	20,701
Total assets	\$ 3,124,076	\$ 337,248	\$ 3,461,324
Liabilities			
Accounts payable and accrued liabilities	\$ 2,371,644	\$ -	\$ 2,371,644
Due to Primary Government	209,731	-	209,731
Total liabilities	2,581,375	-	2,581,375
Fund Balances			
Nonspendable	-	20,701	20,701
Restricted	-	316,547	316,547
Assigned, education	542,701	-	542,701
Total fund balances	542,701	337,248	879,949
Total liabilities and fund balances	\$ 3,124,076	\$ 337,248	\$ 3,461,324

Combining Balance Sheet - Component Unit - Poquoson City Public Schools

June 30, 2019

**Reconciliation of Combining Balance Sheet
to Statement of Net Position - Component Unit - Schools**

Total fund balances - Component Unit - Schools	\$ 879,949
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.	5,088,910
Deferred outflows of resources for pension contributions, change of actuarial assumptions, and change in proportionate share of pension expense used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,381,588
Deferred outflows of resources for OPEB contributions, difference between expected and actual experience, and change in proportionate share of OPEB expense used in governmental activities are not financial resources and therefore, are not reported in the funds.	470,520
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(20,547,765)
Deferred inflows of resources for differences between projected and actual earnings on OPEB plan investments, difference between expected and actual experience, changes in proportionate share of OPEB expense, and changes in actuarial assumptions are not due and payable in the current period and, therefore, are not reported in the funds.	(209,314)
Deferred inflows of resources for differences between projected and actual earnings on pension plan investments, differences between expected and actual pension investment experience, and change in proportionate share of pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,253,000)</u>
Total net position - Component Unit - Schools	<u>\$ (14,189,112)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - Poquoson City Public Schools

Year Ended June 30, 2019

	General Fund	Special Revenue	Total Schools
Revenues			
Charges for services	\$ -	\$ 833,165	\$ 833,165
Intergovernmental			
Commonwealth of Virginia	11,799,485	11,820	11,811,305
Federal government	1,304,635	185,259	1,489,894
Local government	9,851,389	-	9,851,389
Other	172,410	-	172,410
Total revenues	23,127,919	1,030,244	24,158,163
Expenditures			
Current			
Education	23,016,201	1,215,506	24,231,707
Total expenditures	23,016,201	1,215,506	24,231,707
Excess (deficiency) of revenues over (under) expenditures	111,718	(185,262)	(73,544)
Other financing sources (uses)			
Transfers in	-	189,198	189,198
Transfers out	(189,198)	-	(189,198)
Total other financing sources (uses), net	(189,198)	189,198	-
Net change in fund balance	(77,480)	3,936	(73,544)
Fund balance, beginning of year	620,181	333,312	953,493
Fund balance, end of year	\$ 542,701	\$ 337,248	\$ 879,949

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Poquoson City Public Schools

Year Ended June 30, 2019

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

Net change in fund balances - total School Board funds \$ (73,544)

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	740,151
Depreciation expense	(1,181,647)

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.

226,159

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	1,217,846
Other postemployment benefits liability	149,078
Compensated absences	(13,461)

Change in net position of governmental activities \$ 1,064,582

**Budgetary Comparison Schedule - General Fund
Component Unit - Poquoson City Public Schools**

Year Ended June 30, 2019

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental				
Commonwealth of Virginia	\$ 11,661,029	\$ 11,938,307	\$ 11,799,485	\$ (138,822)
Federal government	1,106,729	1,598,679	1,304,635	\$ (294,044)
Local government	9,935,403	10,046,389	9,851,389	(195,000)
Other	146,931	214,780	172,410	(42,370)
Total revenues	<u>22,850,092</u>	<u>23,798,155</u>	<u>23,127,919</u>	<u>(670,236)</u>
Expenditures				
Current				
Instruction	16,677,616	16,366,364	16,145,483	220,881
Division-wide	1,157,809	1,179,315	1,169,413	9,902
Transportation	816,098	913,909	908,065	5,844
Operation and maintenance	1,848,984	2,324,478	2,322,910	1,568
Food service	246,422	273,397	273,268	129
Technology	1,161,434	1,319,402	1,181,641	137,761
Grants	941,729	1,421,290	1,127,139	294,151
Total expenditures	<u>22,850,092</u>	<u>23,798,155</u>	<u>23,127,919</u>	<u>670,236</u>
Other financing (uses)				
Transfer out - special revenue fund	-	(189,198)	(189,198)	-
Total other financing (uses)	<u>-</u>	<u>(189,198)</u>	<u>(189,198)</u>	<u>-</u>
Deficiency of revenues under expenditures and other financing (uses) - budgetary basis				
	<u>\$ -</u>	<u>\$ (189,198)</u>	<u>(189,198)</u>	<u>\$ -</u>
Less encumbrances outstanding beginning of year actually expended as of end of year			(620,181)	
Add encumbrances outstanding end of year			<u>542,701</u>	
Deficiency of revenues under expenditures and other financing uses - U.S. GAAP basis				
			(77,480)	
Fund balance, beginning of year			<u>620,181</u>	
Fund balance, end of year			<u>\$ 542,701</u>	

***Schedule of Changes in Assets and Liabilities - Agency Funds
Component Unit - Poquoson City Public Schools***

Year Ended June 30, 2019

(School Activity Funds and Instructional Support Fund)

	Balance			Balance
	July 1, 2018	Additions	Deductions	June 30, 2019
	Assets			
Cash and cash equivalents	\$ 301,719	\$ 741,310	\$ 756,923	\$ 286,106
	Liabilities			
Due to students	\$ 301,719	\$ 741,310	\$ 756,923	\$ 286,106

Statement of Cash Flows - Component Unit - Economic Development Authority**Year Ended June 30, 2019**

Cash flows from operating activities	
Received from customers and users	\$ 17,349
Payments to suppliers for goods and services	<u>(21,291)</u>
Net cash used in operating activities	<u>(3,942)</u>
Cash flows from noncapital financing agreements	
Contributions from Primary Government	<u>16,417</u>
Cash flows from capital and related financing activities	
Repayment to primary government	(61,683)
Proceeds from sale of equipment	124,961
Interest paid on capital debt	<u>(39,856)</u>
Net cash provided by capital and related financing activities	<u>23,422</u>
Net increase in cash and cash equivalents	35,897
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ 35,897</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (14,038)
Depreciation	14,331
Changes in assets and liabilities	
Accounts payable	<u>(4,235)</u>
Net cash used in operating activities	<u>\$ (3,942)</u>

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City of Poquoson, Virginia

Statistical Section Overview

June 30, 2019

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

Contents

Financial Trends

Tables 1 - 4

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

Revenue Capacity

Tables 5 - 7

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

Debt Capacity

Tables 8 - 10

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

Demographic and Economic Information

Tables 11 - 12

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

Operation Information

Tables 13 - 15

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

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year.

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Net Position by Component (unaudited)

Last Ten Fiscal Years

	2019	2018	(Restated) 2017	2016	2015	(Restated) 2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 2,081,923	\$18,989,419	\$17,903,251	\$16,369,767	\$15,992,201	\$15,304,386	\$16,049,986	\$16,838,143	\$17,593,261	\$17,493,727
Restricted	20,119,972	1,873,326	1,997,619	2,502,661	1,229,189	758,646	878,402	1,037,956	-	-
Unrestricted	2,254,527	944,323	2,027,326	1,902,805	1,404,823	864,818	5,088,254	5,070,860	5,902,110	5,235,762
Total governmental activities	\$24,456,422	\$21,807,068	\$21,928,196	\$20,775,233	\$18,626,213	\$16,927,850	\$22,016,642	\$22,946,959	\$23,495,371	\$22,729,489
Business-type activities										
Net investment in capital assets	\$ 5,201,957	\$ 4,865,391	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909	\$ 4,610,052	\$ 4,848,333	\$ 5,094,194	\$ 5,073,709	\$ 4,923,135
Unrestricted	3,134,382	2,863,875	2,565,946	1,869,516	1,408,633	1,307,027	1,016,071	588,681	499,193	1,358,338
Total business-type activities	\$ 8,336,339	\$ 7,729,266	\$ 7,177,923	\$ 6,623,552	\$ 6,200,542	\$ 5,917,079	\$ 5,864,404	\$ 5,682,875	\$ 5,572,902	\$ 6,281,473
Primary Government										
Net investment in capital assets	\$ 7,283,880	\$23,854,810	\$22,515,228	\$21,123,803	\$20,784,110	\$19,914,438	\$20,898,319	\$21,932,337	\$22,199,083	\$22,416,862
Restricted - capital projects	18,973,986	1,080,002	1,644,469	1,995,804	942,712	488,442	645,971	862,106	-	-
Restricted - other	1,145,986	793,324	353,150	506,857	286,477	270,204	232,431	175,850	-	-
Unrestricted	5,388,909	3,808,198	4,593,272	3,772,321	2,813,456	2,171,845	6,104,325	5,659,541	6,401,303	6,594,100
Total Primary Government	\$32,792,761	\$29,536,334	\$29,106,119	\$27,398,785	\$24,826,755	\$22,844,929	\$27,881,046	\$28,629,834	\$28,600,386	\$29,010,962

Change in Net Position (unaudited)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
General government	\$ 3,305,464	\$ 4,152,443	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051	\$ 3,471,130	\$ 3,081,068	\$ 3,058,270	\$ 2,328,395	\$ 2,960,944
Public safety and judicial	7,119,909	7,136,755	6,811,120	6,367,432	6,572,994	6,669,898	6,609,483	6,296,795	6,147,949	6,016,699
Public works	2,081,748	2,108,673	1,454,996	672,523	1,722,753	2,066,486	1,599,943	1,875,113	1,883,380	950,043
Health and welfare	1,190,360	1,303,164	1,228,244	1,125,090	1,036,794	957,396	909,035	913,826	817,008	1,022,735
Education	10,534,422	10,249,813	10,089,105	10,434,221	10,126,907	9,984,015	9,557,995	9,510,584	9,080,484	10,906,525
Parks and recreation	1,762,160	1,647,715	2,113,548	1,923,884	1,738,752	1,774,597	1,639,717	1,248,643	1,224,910	859,051
Economic Development Authority	16,417	5,000	-	25,000	-	-	-	-	-	-
Community development	1,095,080	2,046,826	1,611,496	667,793	560,195	644,892	711,874	567,672	488,893	547,051
Interest on long-term debt	1,922,059	1,081,173	638,246	1,040,364	1,046,103	1,074,323	1,114,258	1,219,966	1,213,782	1,100,826
Total governmental activities	29,027,619	29,731,562	27,719,553	25,926,637	25,459,549	26,642,737	25,223,373	24,690,869	23,184,801	24,363,874
Business-type activities										
Sewer	1,462,941	1,439,188	1,488,407	1,485,293	1,520,881	1,465,757	1,470,187	1,447,681	2,057,173	1,685,334
Parks and recreation	-	-	-	-	-	-	-	455,199	450,025	401,006
Solid waste	816,100	756,231	806,210	793,688	746,243	863,191	842,251	743,280	791,114	766,921
Total business-type activities	2,279,041	2,195,419	2,294,617	2,278,981	2,267,124	2,328,948	2,312,438	2,646,160	3,298,312	2,853,261
Total expenses	31,306,660	31,926,981	30,014,170	28,205,618	27,726,673	28,971,685	27,535,811	27,337,029	26,483,113	27,217,135
Program revenues										
Governmental activities										
Charges for services:										
General government	256,084	179,790	1,269,889	343,486	236,877	276,781	218,338	223,152	223,887	254,482
Public safety and judicial	494,512	475,122	458,937	435,190	477,642	398,996	370,268	112,011	300,870	103,169
Education	-	-	3,655	47,520	43,914	35,343	36,347	49,188	36,347	-
Parks and recreation	80,480	77,252	85,445	89,096	80,871	76,741	80,352	74,609	61,820	217,372
Community development	328,058	347,472	317,701	330,949	324,945	312,043	330,873	300,206	33,721	22,614
Operating grants and contributions	1,707,679	1,752,658	1,640,741	1,633,650	1,566,976	1,622,774	1,670,603	1,575,285	1,881,297	1,986,470
Capital grants and contributions	1,558,876	2,059,956	645,565	837,446	507,190	599,361	458,320	732,846	419,225	330,892
Total governmental activities	4,425,689	4,892,250	4,421,933	3,717,337	3,238,415	3,322,039	3,165,101	3,067,297	2,957,167	2,914,999
Business-type activities										
Charges for services:										
Sewer	2,145,486	2,095,278	2,188,672	2,015,026	1,865,981	1,887,501	1,835,646	1,520,017	1,531,319	1,487,157
Solid waste	886,514	846,418	819,845	801,841	796,892	863,890	862,297	212,730	189,782	743,965
Parks and recreation	-	-	-	-	-	-	-	743,936	755,834	179,070
Total business-type activities	3,032,000	2,941,696	3,008,517	2,816,867	2,662,873	2,751,391	2,697,943	2,476,683	2,476,935	2,410,192
Total program revenues	7,457,689	7,833,946	7,430,450	6,534,204	5,901,288	6,073,430	5,863,044	5,543,980	5,434,102	5,325,191
Governmental activities, net expense	(24,601,930)	(24,839,312)	(23,297,620)	(22,209,300)	(22,221,134)	(23,320,698)	(22,058,272)	(21,623,572)	(20,227,634)	(21,448,875)
Business-type activities, net expense	752,959	746,277	713,900	537,886	395,749	422,443	385,505	(169,477)	(821,377)	(443,069)
Total Primary Government, net expenses	(23,848,971)	(24,093,035)	(22,583,720)	(21,671,414)	(21,825,385)	(22,898,255)	(21,672,767)	(21,793,049)	(21,049,011)	(21,891,944)

NOTE - In FY 2013, the Parks and Recreation Enterprise Fund was rolled in the City's General Fund.

Change in Net Position (unaudited)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$23,062,109	\$ 21,616,868	\$20,821,895	\$20,570,278	\$20,368,202	\$18,827,143	\$18,219,806	\$18,228,029	\$18,235,363	\$18,054,307
Other taxes	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995	2,464,223	2,451,932
Reimbursements from other agencies	152,346	139,561	137,731	158,675	128,897	159,612	84,883	58,458	75,318	102,239
Payments in lieu of taxes										
Investment earnings	362,288	283,557	251,622	221,823	200,759	188,699	189,710	181,274	183,284	156,139
Miscellaneous	607,862	548,204	86,193	419,424	165,351	184,222	236,197	196,203	(25,102)	51,462
Transfers	198,147	200,000	195,833	150,000	150,000	128,000	130,000	(118,799)	80,400	39,000
Total governmental activities	27,251,284	25,752,730	24,450,584	24,358,320	23,919,497	22,292,436	21,741,893	21,075,160	21,013,486	20,855,079
Business-type activities										
Investment earnings	47,686	35,208	35,973	34,964	33,357	35,470	26,440	32,131	29,476	30,522
Miscellaneous	4,575	9,280	331	160	4,357	587	2,677	128,520	132,530	99,480
Transfers	(198,147)	(200,000)	(195,833)	(150,000)	(150,000)	(128,000)	(130,000)	118,799	(49,200)	(39,000)
Total business-type activities	(145,886)	(155,512)	(159,529)	(114,876)	(112,286)	(91,943)	(100,883)	279,450	112,806	91,002
Total general revenues and other changes in net position	27,105,398	25,597,218	24,291,055	24,243,444	23,807,211	22,200,493	21,641,010	21,354,610	21,126,292	20,946,081
Change in net position										
Governmental activities	2,649,354	913,418	1,152,964	2,149,020	1,698,363	(1,028,262)	(316,379)	(548,412)	785,852	(593,796)
Business-type activities	607,073	590,765	554,371	423,010	283,463	330,500	284,622	109,973	(708,571)	(352,067)
Total Primary Government	\$ 3,256,427	\$ 1,504,183	\$ 1,707,335	\$ 2,572,030	\$ 1,981,826	\$ (697,762)	\$ (31,757)	\$ (438,439)	\$ 77,281	\$ (945,863)

Fund Balances - Governmental Funds (unaudited)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General fund										
Non-spendable	\$ 1,707,130	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954	\$ 1,968,595	\$ 254,474	\$ 273,051	\$ -
Restricted	1,145,986	793,324	353,150	348,557	286,477	270,204	234,126	175,850	193,477	-
Assigned	272,967	367,729	914,114	829,475	855,862	706,877	426,772	679,065	447,892	-
Unassigned	5,389,522	5,343,537	4,358,819	4,388,700	4,851,141	5,009,182	4,837,805	4,498,417	4,776,356	-
Reserved for										
Encumbrances and loans	-	-	-	-	-	-	-	-	-	347,863
Asset forfeiture	-	-	-	-	-	-	-	-	-	83,704
Fire department	-	-	-	-	-	-	-	-	-	100,858
Library	-	-	-	-	-	-	-	-	-	13,015
Heritage Park	-	-	-	-	-	-	-	-	-	6,060
Unreserved	-	-	-	-	-	-	-	-	-	4,338,582
Total General Fund	\$ 8,515,605	\$ 8,332,630	\$ 7,473,351	\$ 7,428,230	\$ 7,874,206	\$ 7,886,217	\$ 7,467,298	\$ 5,607,806	\$ 5,690,776	\$ 4,890,082
All other governmental funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	18,973,986	1,080,002	1,644,469	2,154,104	942,712	488,442	645,971	862,106	478,967	-
Assigned	1,391,455	666,063	769,329	706,113	822,546	573,040	651,746	376,082	391,118	-
Reserved for										
Construction - bond principal	-	-	-	-	-	-	-	-	-	651,191
Unreserved for										
Unreserved and undesignated	-	-	-	-	-	-	-	-	-	258,713
Total all other governmental funds	\$ 20,365,441	\$ 1,746,065	\$ 2,413,798	\$ 2,860,217	\$ 1,765,258	\$ 1,061,482	\$ 1,297,717	\$ 1,238,188	\$ 870,085	\$ 909,904

Note: GASB 54 was implemented by the City in FY 2011. Data for this schedule prior to FY 2010 is not available.

Changes in Fund Balances - Governmental Funds (unaudited)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
General property taxes	\$20,971,058	\$19,764,234	\$18,939,996	\$18,605,963	\$18,425,590	\$16,959,423	\$16,371,816	\$16,361,071	\$16,296,911	\$16,023,837
Other local taxes	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995	2,464,223	2,451,932
Permits, privilege fees, and regulatory licenses	115,212	119,995	157,800	150,186	168,314	89,910	76,040	97,314	78,464	70,947
Fines and forfeitures	30,474	42,695	34,665	41,742	44,898	73,024	58,103	43,603	54,907	54,836
Revenue from use of money and property	362,288	283,557	251,622	221,823	200,759	188,699	189,710	183,310	183,282	157,426
Charges for services	776,328	758,409	689,823	719,627	730,274	677,961	683,698	395,096	299,386	217,372
Intergovernmental	5,579,452	6,034,143	5,600,807	4,887,888	4,347,257	4,564,184	4,355,574	4,513,171	4,416,734	4,597,512
Miscellaneous	555,455	523,784	77,683	406,388	187,840	216,483	260,245	215,548	128,881	60,625
Total revenues	31,258,799	30,491,357	28,709,706	27,871,737	27,011,220	25,574,444	24,876,483	24,339,108	23,922,788	23,634,487
Expenditures										
Current										
General government and administration	2,422,070	2,367,377	2,197,779	2,307,455	2,142,936	2,150,397	2,116,875	2,175,864	2,106,211	1,924,481
Public safety and judicial	7,540,536	7,082,765	6,748,735	6,510,844	6,543,540	6,323,724	6,247,962	5,909,331	5,765,369	5,601,358
Public works	2,023,809	1,800,787	1,904,962	1,806,905	1,846,179	1,717,667	1,587,114	1,596,143	1,516,878	1,530,904
Health and welfare	1,215,397	1,308,293	1,226,563	1,127,881	1,038,823	938,191	892,421	897,082	802,490	1,016,083
Parks, recreation, and cultural	1,705,296	1,673,714	1,617,467	1,605,290	1,616,495	1,558,028	1,545,578	1,057,553	1,016,944	1,003,795
Community development	1,127,264	2,088,168	1,616,597	686,316	588,060	643,567	705,927	577,990	490,912	529,529
Nondepartmental	145,036	119,940	138,342	114,470	113,192	125,312	144,213	359,518	112,981	329,279
Education	9,851,389	9,853,778	9,738,170	9,566,168	9,422,763	8,991,413	8,844,076	8,796,662	8,578,675	8,008,392
Economic Development Authority	16,417	5,000	25,000	-	-	-	-	-	-	40,000
Capital outlay	1,191,561	1,360,988	1,468,075	1,202,670	822,462	991,003	794,678	1,119,347	814,871	838,069
Debt service										
Principal retirement	2,262,180	2,000,899	1,969,645	2,078,058	1,464,000	886,835	684,426	867,647	896,963	1,358,073
Bond issuance costs	567,951	-	-	298,907	-	-	-	310,631	43,263	234,339
Interest and fiscal charges	1,295,065	1,005,102	842,370	1,128,233	1,163,062	1,190,623	1,124,605	1,266,380	1,136,670	1,201,041
Total expenditures	31,363,971	30,666,811	29,468,705	28,458,197	26,761,512	25,516,760	24,687,875	24,934,148	23,282,227	23,615,343
Excess (deficiency) of revenues over (under) expenditures	(105,172)	(175,454)	(758,999)	(586,460)	249,708	57,684	188,608	(595,040)	640,561	19,144
Other financing sources (uses)										
Transfers in	4,141,866	3,142,671	3,216,988	3,988,485	3,795,075	2,306,958	2,333,090	2,253,807	2,248,182	2,587,735
Issuance of debt, net	18,714,856	167,000	127,224	1,085,443	292,057	-	1,734,000	998,972	39,914	457,391
Transfers out	(3,949,199)	(2,942,671)	(3,021,155)	(3,838,485)	(3,645,075)	(2,181,958)	(2,203,090)	(2,372,606)	(2,167,782)	(2,548,735)
Total other financing sources, net	18,907,523	367,000	323,057	1,235,443	442,057	125,000	1,864,000	880,173	120,314	496,391
Net change in fund balances	\$18,802,351	\$ 191,546	\$ (435,942)	\$ 648,983	\$ 691,765	\$ 182,684	\$ 2,052,608	\$ 285,133	\$ 760,875	\$ 515,535
Debt service (1) as a percentage of noncapital expenditures (2)	11.96%	10.16%	9.96%	12.06%	10.28%	8.43%	7.85%	9.03%	8.98%	11.68%

(1) Debt service = total principal retirement plus total interest and fiscal charges.

(2) Noncapital expenditures = total expenditures less amounts for capital assets on the Government-Wide Statement of Net Assets.

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 Taxable Value	Assessed Value as a Percentage of Actual Value
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	\$ 2,018,000	\$1,532,812,342	\$ 104,188,800	\$1.07	\$1,548,341,465	99%
2016	\$1,416,700,300	\$ 106,316,055	\$ 2,018,000	\$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%
2012	\$1,417,474,500	\$ 98,208,727	\$ 3,706,100	\$1,519,389,327	\$ 109,434,010	\$0.92	\$1,519,380,327	100%
2011	\$1,622,194,900	\$ 102,253,036	\$ 3,798,800	\$1,728,246,736	\$ 109,430,730	\$0.81	\$1,641,834,400	105%
2010	\$1,612,987,500	\$ 103,065,821	\$ 3,798,800	\$1,719,852,121	\$ 81,348,380	\$0.81	\$1,631,859,515	105%

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Source: Commissioner of the Revenue and City Assessor

Note: Includes Public Service Corporations

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
2019	\$ 18,201,313	\$ -	\$ 18,201,313	\$ 18,018,700	99.00%	\$ -	\$ 18,018,710	99.00%
2018	\$ 16,950,876	\$ 4,641	\$ 16,955,517	\$ 16,857,244	99.45%	\$ 32,287	\$ 16,889,531	99.45%
2017	\$ 16,283,816	\$ 22,834	\$ 16,306,650	\$ 16,136,972	98.95%	\$ 131,328	\$ 16,268,300	99.76%
2016	\$ 16,111,062	\$ 12,802	\$ 16,123,864	\$ 15,942,338	98.87%	\$ 160,272	\$ 16,102,610	99.87%
2015	\$ 16,039,914	\$ 942	\$ 16,040,856	\$ 15,875,158	98.97%	\$ 147,795	\$ 16,022,953	99.89%
2014	\$ 14,492,059	\$ (1,008)	\$ 14,491,051	\$ 14,338,022	98.94%	\$ 144,645	\$ 14,482,667	99.94%
2013	\$ 13,891,076	\$ (1,670)	\$ 13,889,406	\$ 13,709,910	98.70%	\$ 172,523	\$ 13,882,433	99.95%
2012	\$ 13,808,493	\$ (3,969)	\$ 13,804,524	\$ 13,617,311	98.62%	\$ 176,630	\$ 13,793,941	99.92%
2011	\$ 13,666,068	\$ 12,686	\$ 13,678,754	\$ 13,421,564	98.21%	\$ 247,700	\$ 13,669,264	99.93%
2010	\$ 13,614,366	\$ 3,219	\$ 13,617,585	\$ 13,371,918	98.22%	\$ 236,914	\$ 13,608,832	99.94%

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Source: City of Poquoson Treasurer's Department

Principal Taxpayers - 2019 and Nine Years Ago (Unaudited)

Taxpayer	Type of Business	2019		2010	
		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	\$ 10,075,800	0.63%	\$ 10,265,000	0.60%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,350,300	0.46%	6,844,500	0.40%
Poquoson Shopping Center, L.L.C.	Shopping Center	6,240,600	0.39%	5,002,300	0.29%
GPH Poquoson L.L.C.	Nursing Home	5,974,800	0.37%	3,468,200	0.20%
Shamrock Redwood Whitehouse LLC	Mobile Home Park	5,417,800	0.34%	-	0.00%
SNH CHS Properties Trust	Nursing Home	5,038,000	0.32%	-	0.00%
Islander Associates	Apartment Rentals	4,440,300	0.22%	3,960,000	0.23%
City of Newport News	Public Service	4,274,600	0.27%	-	0.00%
SGC Wythe Creek, L.L.C.	Shopping Center	4,414,400	0.27%	4,407,200	0.26%
Universal of Poquoson	Mobile Home Park	3,824,600	0.24%	3,378,000	0.20%
Poquoson Marina Associates	Marina / Mobile Home Park	-	0.00%	6,912,100	0.40%
Hunt Properties of Poquoson, Inc.	Storage Facilities	-	0.00%	2,959,900	0.17%
Cosmus Investment Company, L.L.C.	Developer	-	0.00%	2,523,000	0.15%
		\$ 57,051,200	3.51%	\$ 49,720,200	2.89%

Source: Commissioner of the Revenue and City Assessor

Computation of Legal Debt Margin (Unaudited)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total assessed value of taxed real property										
General	\$ 1,597,471,000	\$ 1,582,741,600	\$ 1,520,227,500	\$ 1,504,974,300	\$ 1,500,055,080	\$ 1,493,024,330	\$ 1,508,646,060	\$ 1,498,862,620	\$ 1,711,308,830	\$ 1,702,517,110
Public service corporations	22,895,188	22,620,001	22,397,342	20,060,055	18,657,291	19,993,917	18,123,219	20,526,707	16,937,906	17,335,011
Total	\$ 1,620,366,188	\$ 1,605,361,601	\$ 1,542,624,842	\$ 1,525,034,355	\$ 1,518,712,371	\$ 1,513,018,247	\$ 1,526,769,279	\$ 1,519,389,327	\$ 1,728,246,736	\$ 1,719,852,121
Debt limit (10% of total assessed value)	\$ 162,036,619	\$ 160,536,160	\$ 154,262,484	\$ 152,503,436	\$ 151,871,237	\$ 151,301,825	\$ 152,676,928	\$ 151,938,933	\$ 172,824,674	\$ 171,985,212
Debt applicable to debt limit										
General obligation bonds, other than those authorized for a specific revenue producing project	\$ 37,882,586	\$ 21,734,586	\$ 23,419,586	\$ 25,104,587	\$ 27,174,645	\$ 28,096,588	\$ 28,619,001	\$ 27,212,000	\$ 28,164,822	\$ 28,689,878
Capital leases	280,592	228,325	-	-	-	-	83,166	163,593	241,240	316,204
Sewer general obligation bonds	5,450,002	5,940,002	6,410,000	6,855,000	7,220,000	8,000,000	8,305,000	8,605,000	9,425,933	9,890,072
State literary fund loans	-	250,000	500,000	750,000	1,000,000	1,250,000	1,530,820	1,807,820	2,084,820	2,361,820
	43,613,180	28,152,913	30,329,586	32,709,587	35,394,645	37,346,588	38,537,987	37,788,413	39,916,815	41,257,974
Margin for additional borrowing	\$ 118,423,439	\$132,383,247	\$ 123,932,898	\$ 119,793,849	\$ 116,476,592	\$ 113,955,237	\$ 114,138,941	\$ 114,150,520	\$ 132,907,859	\$ 130,727,238
Total net debt applicable to the limit as a percentage of debt limit	26.92%	17.54%	19.66%	21.45%	23.31%	24.68%	25.24%	24.87%	23.10%	23.99%

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				
2019	\$ 41,625,365	\$ -	\$ 280,592	\$ 5,819,009	\$ 47,724,966	N/A	N/A	N/A
2018	\$ 25,292,387	\$ 250,000	\$ 228,325	\$ 6,359,159	\$ 32,129,871	N/A	N/A	N/A
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
2012	\$ 28,328,321	\$ 1,807,820	\$ 163,593	\$ 8,971,631	\$ 39,271,365	\$ 85,033	1.1%	\$ 3,195
2011	\$ 28,162,916	\$ 2,084,820	\$ 241,240	\$ 9,374,924	\$ 39,863,900	\$ 86,611	1.2%	\$ 32,148
2010	\$ 28,685,786	\$ 2,361,820	\$ 316,204	\$ 9,733,441	\$ 41,097,251	\$ 84,315	1.2%	\$ 3,379

Source: (1) United States Census Bureau

N/A - This information is not available.

**Ratio 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
2019	N/A	\$ 1,597,471,000	\$ 41,625,365	2.61%	N/A
2018	12,320	\$ 1,582,741,600	\$ 25,542,387	1.61%	\$ 2,073
2017	12,311	\$ 1,532,812,342	\$ 27,782,853	1.81%	\$ 2,257
2016	12,287	\$ 1,525,034,355	\$ 30,023,324	1.97%	\$ 2,444
2015	12,359	\$ 1,518,712,371	\$ 29,786,818	1.96%	\$ 2,410
2014	12,212	\$ 1,513,018,247	\$ 31,093,650	2.06%	\$ 2,546
2013	12,076	\$ 1,526,769,279	\$ 32,031,772	2.10%	\$ 2,653
2012	12,291	\$ 1,519,389,327	\$ 30,136,141	1.98%	\$ 2,452
2011	12,240	\$ 1,728,246,736	\$ 30,247,736	1.75%	\$ 2,471
2010	12,162	\$ 1,719,852,121	\$ 31,047,606	1.81%	\$ 2,553

Source: # Weldon Cooper Center for Public Service

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.

N/A - This information is not available.

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2) <i>(in millions)</i>	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2019	N/A	N/A	N/A	2,119	2.5%
2018	12,320	N/A	N/A	2,122	2.7%
2017	12,311	\$ 4,529	\$ 56,763	2,106	3.5%
2016	12,287	\$ 4,334	\$ 54,159	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%
2012	12,291	\$ 3,931	\$ 50,236	2,178	5.8%
2011	12,240	\$ 3,716	\$ 47,564	2,231	5.9%
2010	12,162	\$ 3,517	\$ 45,334	2,325	6.2%

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

N/A - This information is not available.

Principal Employers in Poquoson - 2019 and Nine Years Ago (Unaudited)

Employment	2019		2010	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	280	15.63%	313	13.81%
City of Poquoson	172	9.60%	132	5.83%
Farm Fresh	N/A	N/A	68	3.00%
Golden Living Center/Bayside	75	4.19%	55	2.43%
Food Lion	84	4.69%	50	2.21%
Surf Rider	50	2.79%	N/A	N/A
Pizza Hut	N/A	N/A	20	0.88%
Dominion Village at Poquoson	35	1.95%	45	1.99%
McDonald's Restaurant	28	1.56%	55	2.43%
Wendy's Restaurant	20	1.12%	N/A	N/A
Poquoson Veterinary Hospital	21	1.17%	N/A	N/A
Stephen's Office Supply	20	1.12%	25	1.10%
Taylor's Do It Center	15	0.84%	15	0.66%
Unity Business Systems	N/A	N/A	23	1.02%
	800	44.64%	801	35.35%

Source: City of Poquoson Economic Development Department

N/A - This information is not available.

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

Last Ten Fiscal Years

Function / Program	Full-Time Equivalent Employees as of June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government:										
Management services	13.20	13.20	13.20	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	4.35	4.45
Building	4.75	4.75	4.75	3.75	3.75	3.75	3.75	3.75	3.75	3.00
Other	3.10	3.10	3.10	3.10	3.10	3.10	3.10	2.85	2.10	2.10
Police:										
Officers	28.50	26.50	25.50	24.50	23.50	23.50	23.50	22.50	22.50	22.50
Civilians	1.50	1.50	1.50	1.50	1.00	1.00	1.00	1.00	1.00	1.00
Fire:										
Firefighters and officers	32.00	32.00	32.00	30.00	29.00	29.00	29.00	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:										
Engineering	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
Other	3.00	3.00	2.00	2.00	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	11.95	11.95	11.95	11.95	11.95	11.95	11.95
Utilities	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total	150.30	148.30	145.30	139.80	136.30	135.90	135.90	134.05	133.65	133.00

Source: Finance Department

Operating Indicators by Function / Program (Unaudited)

Last Ten Fiscal Years

Function / Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police (1)										
Physical arrests	293	263	270	259	225	255	291	307	259	335
Parking violations	16	6	2	8	9	18	41	18	39	34
Traffic violations	660	841	824	714	728	982	1,062	714	957	915
Fire (2)										
Emergency responses	2,000	2,331	974	1,991	2,228	1,883	2,122	2,028	1,827	1,870
Fires extinguished	23	31	24	25	36	14	22	20	51	79
Inspections	113	155	108	182	237	209	240	239	290	233
Refuse collection (3)										
Refuse collected (tons)	4,364	4,421	3,120	2,491	2,338	3,597	2,761	2,184	2,241	2,560
Recyclables collected (tons)	1,084	1,732	2,207	1,102	1,227	1,161	1,282	1,324	1,390	1,418
Other public works (3)										
Street resurfacing (tons)	3,600	2,736	3,317	3,461	1,764	0	2,524	2,991	2,645	2,481
Library (4)										
Volumes in collection	64,117	64,521	66,390	66,922	64,135	62,048	60,811	59,816	58,203	59,217
Total volumes borrowed	160,257	167,759	146,204	185,361	199,695	207,338	199,739	189,719	197,967	209,768
Wastewater (5)										
Sewer connections	5,027	5,029	5,004	4,943	4,910	4,816	4,782	4,816	4,805	4,803

Source: (1) City of Poquoson Police Department
 (2) City of Poquoson Fire Department
 (3) City of Poquoson Public Works Department
 (4) City of Poquoson Library
 (5) City of Poquoson Finance Department

Capital Assets Statistics by Function/Program (Unaudited)

Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	33	29	29	27	27	25	25	25	24	23
Fire stations (2)	2	2	2	2	2	2	2	2	2	2
Refuse collection (3)										
Collection trucks	4	4	4	4	4	4	4	4	3	3
Other public works (3)										
Street (miles)	55.18	54.9	56.7	54.6	55.3	55.1	55.1	55.1	55.1	55.0
Streetlights	589	577	577	577	580	575	575	574	574	574
Traffic signals	4	4	4	4	4	4	4	4	4	4
Park and recreation (4)										
Acreage	63	63	63	63	63	63	63	63	48	48
Playgrounds	4	4	4	4	4	4	3	3	3	3
Baseball / softball diamonds	6	6	6	6	6	6	4	4	6	6
Soccer / football fields	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	1	1
Wastewater (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	65	65	64	64
Storm sewers (miles)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34(*)	34(*)
Schools (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	23	22	22	22	21	21	22	24	21	21

(*) 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

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**Report of Independent Auditor 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 of Council
City of 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2019.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported in the *Specifications for Audits of Counties, Cities, and Towns*, which is described in the accompanying schedule of findings and questioned costs as item 2019-002.

City of Poquoson, Virginia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheryl Bekart LLP

Virginia Beach, Virginia
November 25, 2019

**Report of Independent Auditor 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
City of Poquoson, Virginia

Report 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 described 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, 2019. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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 its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 25, 2019

City of Poquoson, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal granting agency / recipient state agency Grant program/grant number	Grant Agency Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Pass through payments:			
Department of Agriculture and Consumer Services:			
Food Distribution Cluster			
Food Commodities		10.569	\$ 47,764
Child Nutrition Cluster:			
National School Breakfast Program	201717N109941 & 201818N109941	10.553	\$ 35,451
National School Lunch Program	201717N109941 & 201818N109941	10.555	141,927
			177,378
U.S. Department of Defense			
Promoting K-12 Student Achievement at Military- Connected Schools (STEM)			
	HE12541510024	12.556	150,395
Promoting K-12 Student Achievement at Military- Connected Schools (Project Based Learning)			
	HE12541610044	12.557	119,854
VTSS - Tiered Systems of Support			
	HE12541810016	12.558	88,999
U.S. Department of the Interior			
Direct payments:			
Plum Tree Island Refuge		15.611	2,881
U.S. Department of Transportation			
Pass through payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
Prevention Incentive (10/1/17-9/30/18) - Speed Alcohol Traffic Safety and Drunk Driving	SC-2018-58252-8252	20.600	7,482
Prevention Incentive (10/1/17-9/30/19) - Alcohol	M60T-2018-58248-8248 & M60T-2019-58248-8248	20.607	2,684
U.S. Department of Education			
Direct payments:			
Impact Aid		84.041	231,772
Pass through payments:			
Virginia Department of Education:			
Title I: Grants to Local Educational Agencies	S010A180046	84.010	109,747
Title II: Improving Teacher Quality State Grants	S367A160044	84.367	28,960
Title IV: Student Support and Academic Enrichment Program	S424A180048	84.424	5,977
Special Education (IDEA) Cluster:			
Title VI-B: Assistance to States for Education of Handicapped Children:			
Special Education Grants	H027A170107 & H027A180107	84.027	355,306
Preschool Handicapped	H173A170112 & H173A180112	84.173	18,485
			373,791
Vocational Education-Basic Grants to States	V048A180046	84.048	17,763
U.S. Department of Homeland Security			
Pass through payments:			
Virginia Department of Emergency Management			
Flood Mitigation Assistance	FMA-2014-001	97.029	27,287
Hazard Mitigation Grant	HMGP-4042-0011 & HMGP-4072-0002 & HMGP-4262-0014	97.039	588,740
Local Emergency Management Performance Grant		97.042	7,500
			<u>\$ 1,988,974</u>

See notes to schedule of expenditures of federal awards

City of Poquoson, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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, 2019, the food service organization had food commodities totaling \$20,701 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	\$ 532,387
Sewer Fund	151,952
Schools	<u>1,304,635</u>
Total federal awards reported in the basic financial statements	<u><u>\$ 1,988,974</u></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).

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	Yes; 2019-001
Significant deficiencies identified:	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Homeland Security: Hazard Mitigation Grant	97.039

Dollar threshold to distinguish between Types A and B Programs:	\$750,000
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The City of Poquoson was qualified as a low risk auditee?	Yes
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2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding: 2019-001

Type of Finding: Material Weakness over Internal Control over Financial Reporting

Department: City of Poquoson, Virginia Finance Department

Criteria: Federal revenues and expenditures should be recorded on a modified accrual basis and reported in the period incurred and reported in the Schedule of Expenditures of Federal Awards ("SEFA").

Condition: While performing our audit procedures to ensure compliance with 2 CFR Part 200, we noted expenditures that were recorded in 2019 related to services performed in 2018 and, as a result, the corresponding revenue was not recorded and corresponding expenditures were not included in the City's SEFA. Consequently, the June 30, 2018 SEFA was understated and the June 30, 2019 SEFA is overstated by offsetting amounts.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Cause: Due to the timing of reimbursement requests being submitted after June 30, 2018, expenditures incurred in 2018 were accrued for as of June 30, 2018 and were not included in the 2018 SEFA.

Effect: Federal expenditures reported in the SEFA were misstated in 2019 and 2018.

Auditor's Recommendation: The City's personnel responsible for compiling the SEFA should put a process in place to ensure that expenditures incurred before year-end but requested for reimbursement after year-end are properly recorded on a modified accrual basis and included in the SEFA.

Management's Response: Management agrees with this finding and agrees that a process should be put in place to ensure proper reporting in the future when federal grants reimbursement in nature are awarded to the City. The Finance Department will utilize the financial system that reflects the revenue and expenditures based on modified accrual basis as the resource to creating the report. This process will ensure that the grants reported as Federal Awards are accurately reflected each quarter.

3) Findings and Questioned Costs Relating to Federal Awards

None

4) Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

Finding: 2019-002

Department: City of Poquoson, Virginia Finance Department

Compliance Requirement: *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia Section 3-13

Type of Finding: Nonmaterial Noncompliance

Criteria: Sections 33.2-319 and 33.2-366 of the *Code of Virginia* require local governments to submit an annual categorical local finance survey accounting for all expenditures of highway maintenance funds to the Weldon Cooper Center, which provides the information from the survey to the Virginia Department of Transportation ("VDOT") for reporting to the Federal Highway Administration.

Condition: While performing our audit procedures to ensure compliance with Section 3-13 of the Specifications, we noted that the 2018 Weldon Cooper Local Finance Survey submitted by the City did not reconcile to the City's underlying accounting records.

Cause: The Finance Department is responsible for ensuring the Weldon Cooper Local Finance Survey reconciles to the City's underlying accounting records. There was an error in one of the worksheets used to reconcile the highway maintenance expenditures to the general ledger.

Effect: The City is not in compliance with Title 33.2, Chapter 3, Subtitle II of the *Code of Virginia*. In addition, noncompliance may result in action by the Commonwealth of Virginia.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Auditor’s Recommendation: City personnel responsible for completing and submitting the Weldon Cooper Local Survey should put procedures in place to ensure that the annual survey reconciles completely to the City’s underlying accounting records.

Management’s Response: The auditors brought the oversight to the Finance Department on the information included on the Weldon Cooper Report. It was determined that there was an error in a formula within the internal cost tracking excel schedule. The City had spent above and beyond the funding received from VDOT but incorrectly reported the allocations to the University of Virginia (“UVA”) and the Weldon Cooper Center. The proper personnel was contacted at UVA and the corrected information was subsequently submitted to update the report. Moving forward, the Finance Department will have two reviewers on the excel schedule to ensure formulas are properly entered.

5) Resolution of Prior Year’s Findings

None

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