

*CITY OF*

# *POQUOSON*

*VIRGINIA*



*ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
FISCAL YEAR JULY 1, 2020 - JUNE 30 2021*

***Annual Comprehensive Financial Report***

***City of Poquoson, Virginia***

***Fiscal Year Ended June 30, 2021***

***Prepared by:***

***The Department of Finance***

***Tonya O'Connell, CPA, Assistant City Manager***

***Robin Bellamy, Interim Director of Finance***

***City of Poquoson, Virginia***  
***Government Officials***

**City Council**

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

**City Officials**

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

**School Board**

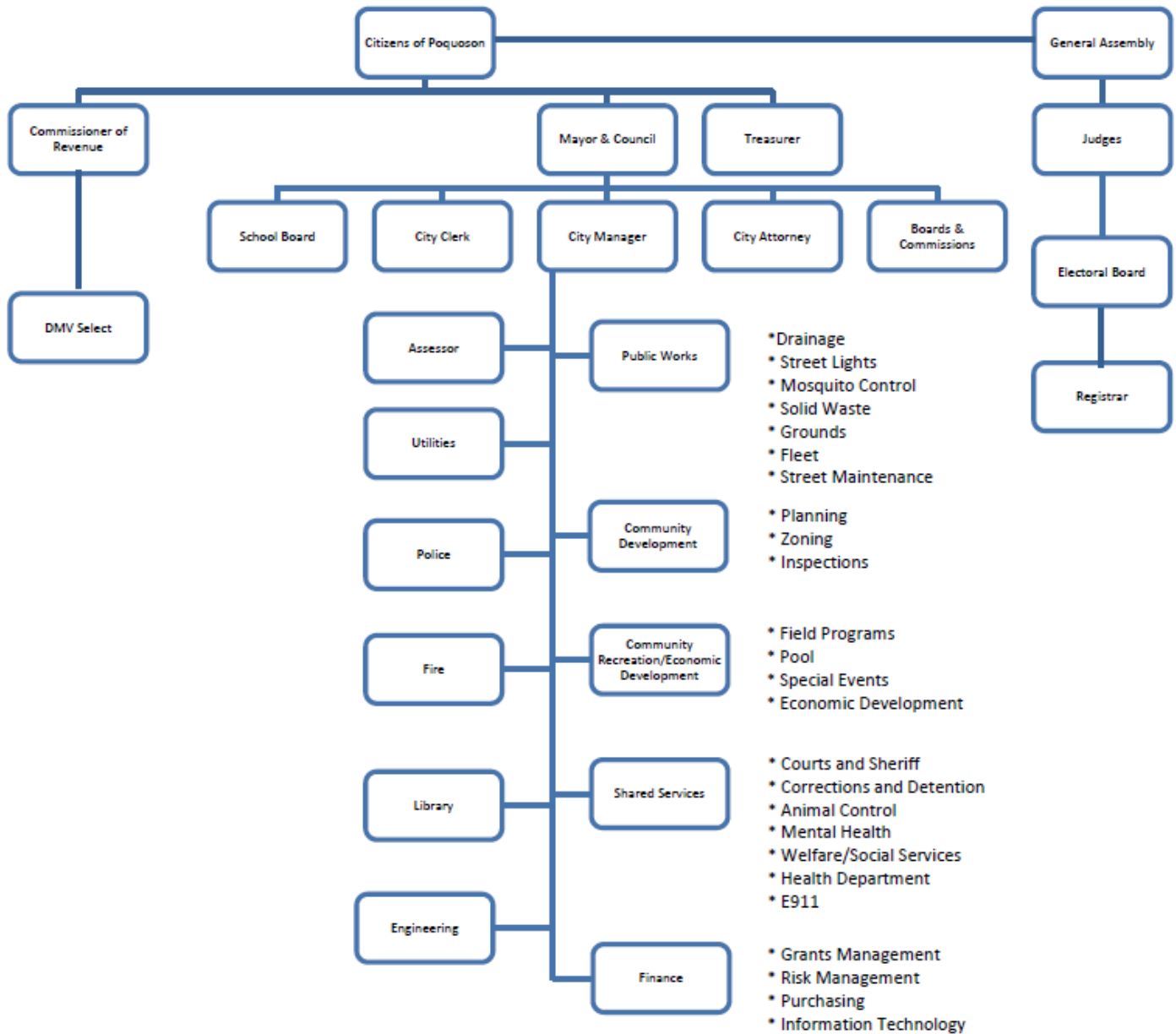
Michelle B. Sheeler, Board Chair  
Christy F. Helsel, Board Vice Chair  
Cameron Childress  
Timothy Goodale  
Craig L. Freeman  
Jeremiah P. Jordan  
Jonathan T. Ingram

**School Officials**

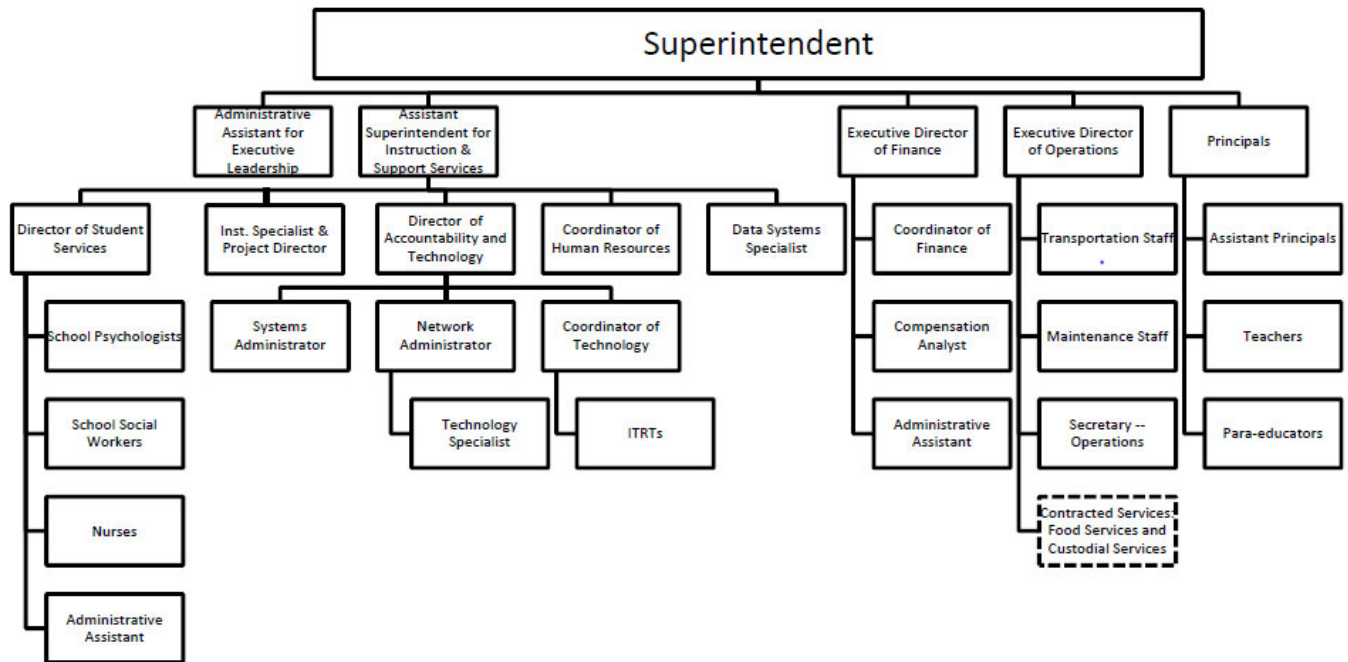
Arty Tillett, Superintendent  
Christina Hill, Ed.D., Assistant Superintendent for Instruction and Support Services  
Brandon Ratliff, Ed.D., Director of Accountability, Student Achievement and Technology  
Tara Woodruff, Executive Director of Finance  
Steven Pappas, Executive Director of Operations

# 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, 2020

*Christopher P. Morrill*

Executive Director/CEO

***City of Poquoson, Virginia  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2021***

**Table of Contents**

	<b>Page</b>
<b><i>Introductory Section</i></b>	
<i>Government Officials.....</i>	<i>i</i>
<i>City Government Organization Chart .....</i>	<i>ii</i>
<i>Poquoson City Public Schools Organization Chart .....</i>	<i>iii</i>
<i>Certificate of Achievement for Excellence in Financial Reporting .....</i>	<i>iv</i>
<i>Table of Contents .....</i>	<i>v - viii</i>
<i>Letter of Transmittal to City Council.....</i>	<i>ix - xvi</i>
	<b>Exhibit      Page</b>
<b><i>Financial Section</i></b>	
<i>Report of Independent Auditor .....</i>	1 - 2
<i>Management's Discussion and Analysis.....</i>	3 - 16
<b><i>Basic Financial Statements</i></b>	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position.....	A      17
Statement of Activities.....	B      18
<b><i>Funds' Financial Statements</i></b>	
Balance Sheet - Governmental Funds .....	C      19
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position .....	C      20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	D      21
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities.....	D      22
Statement of Net Position - Proprietary Funds.....	E      23
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds .....	F      24
Statement of Cash Flows - Proprietary Funds.....	G      25
Statement of Fiduciary Net Position .....	H      26
Statement of Changes in Fiduciary Net Position .....	I      27
Combining Statement of Net Position - Component Units .....	J      28
Combining Statement of Activities - Component Units .....	K      29
<i>Notes to Basic Financial Statements.....</i>	30 - 88

***City of Poquoson, Virginia***  
***Annual Comprehensive Financial Report***  
***Fiscal Year Ended June 30, 2021***

**Table of Contents (Continued)**

	<b>Exhibit</b>	<b>Page</b>
<b><i>Financial Section (Continued)</i></b>		
<b><i>Required Supplementary Information (Unaudited)</i></b>		
Budgetary Comparison Schedule – General Fund (Unaudited – Budget Basis) .....	L	89 - 94
Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – City .....	M	95
Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – Schools .....	N	96
Schedules of Changes in Schools’ Proportionate Share of the Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – Teachers’ Pool.....	O	97
Schedules of Changes in Net OPEB Liability and Related Ratios and Employer Contributions (Unaudited) – OPEB Trust – City .....	P	98
Schedules of Changes in Net OPEB Liability and Related Ratios and Employer Contributions (Unaudited) – Schools.....	Q	99
Schedules of Employer Share of Net OPEB Liability Group Life Insurance Program and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – City .....	R	100
Schedules of Employer Share of Net OPEB Liability Group Life Insurance Program and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – Schools .....	S	101
Schedules of Employer Share of Net OPEB Liability Group Life Insurance Program and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – Teachers’ Pool.....	T	102
Schedules of Employer Share of Net OPEB Liability Health Insurance Credit Program and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – City .....	U	103
Schedules of Employer Share of Net OPEB Liability Health Insurance Credit Program and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – Schools .....	V	104
Schedules of Employer Share of Net OPEB Liability Health Insurance Credit Program and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System – Teachers’ Pool.....	W	105
Notes to Required Supplementary Information .....		106



**City of Poquoson, Virginia**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ended June 30, 2021**

**Table of Contents (Continued)**

	<b>Schedule</b>	<b>Page</b>
<b>Financial Section (Continued)</b>		
<i>Other Supplementary Information</i>		
Combining Balance Sheet – Component Unit – Poquoson City Public Schools.....	1	107
Reconciliation of Combining Balance Sheet		
to Statement of Net Position – Component Unit – Poquoson City Public Schools .....	1	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –		
Component Unit – Poquoson City Public Schools.....	2	109
Reconciliation of Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balances to Statement of Activities		
Component Unit – Poquoson City Public Schools.....	2	110
Budgetary Comparison Schedule – General Fund - Poquoson City Public Schools .....	3	111
Statement of Cash Flows – Component Unit – Economic Development Authority.....	4	112
	<b>Table</b>	<b>Page</b>
<b>Statistical Section (Unaudited)</b>		
<i>Statistical Section Overview .....</i>		113
<i>Net Position by Component – Last Ten Fiscal Years .....</i>	1	114
<i>Change in Net Position – Last Ten Fiscal Years .....</i>	2	115 - 116
<i>Fund Balances – Governmental Funds – Last Ten Fiscal Years.....</i>	3	117
<i>Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years.....</i>	4	118
<i>Assessed Value and Estimated Actual Value of Taxable Real Property –</i>		
<i>Last Ten Fiscal Years.....</i>	5	119
<i>Property Tax Levies and Collections – Last Ten Fiscal Years.....</i>	6	120
<i>Principal Taxpayers – 2021 and Nine Years Ago.....</i>	7	121
<i>Computation of Legal Debt Margin – Last Ten Fiscal Years.....</i>	8	122
<i>Ratios of Outstanding Debt by Type – Last Ten Fiscal Years .....</i>	9	123
<i>Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita –</i>		
<i>Last Ten Fiscal Years.....</i>	10	124
<i>Demographic Statistics – Last Ten Fiscal Years .....</i>	11	125
<i>Principal Employers in Poquoson – 2021 and Nine Years Ago .....</i>	12	126
<i>Full-time Equivalent City Government Employees by Function / Program –</i>		
<i>Last Ten Fiscal Years.....</i>	13	127
<i>Operating Indicators by Function / Program – Last Ten Fiscal Years .....</i>	14	128
<i>Capital Assets Statistics by Function / Program – Last Ten Fiscal Years .....</i>	15	129

***City of Poquoson, Virginia  
Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2021***

**Table of Contents (Continued)**

	<b>Page</b>
<b><i>Compliance Section</i></b>	
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 <i>Government Auditing Standards</i> .....	130 – 131
Schedule of Expenditures of Federal Awards.....	132
Notes to Schedule of Expenditures of Federal Awards .....	133
Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	134-135
Schedule of Findings and Questioned Costs.....	136



## **CITY OF POQUOSON**

500 City Hall Avenue, Poquoson, Virginia 23662-1996

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

City Manager's Office

December 13, 2021

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Poquoson, Virginia (City) as of and for the fiscal year ended June 30, 2021. An ACFR report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and audited in accordance with *Government Auditing Standards* and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

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

Management assumes full responsibility for the reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City'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 as of and for the year ended June 30, 2021. 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.

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

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

The City, which had been a part of York County for many years, became a town in 1952 and an independent city in 1975 upon referendum of the citizens. However, the ties remain close with certain municipal functions continuing to be shared with York County including the Courts, Social Services, Sheriff's Department and E-911 Center.

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

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

One of the most important services provided by a city to its taxpayers is the education of the children in the community. The Virginia State statutes put Virginia schools under the dual control of the State Education Board and a local school board. The State Education Board provides operational procedures, standards of education and 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 provides a full range of services, including police and fire protection; the maintenance of highways, streets, and other infrastructure; recreational activities, library services, community development activities, and cultural events. The City also owns and maintains sewage facilities, manages landscaping and bulky item pick-ups, contracts for recycling as well as trash pick-up and disposal; owns and operates a City pool, and manages various paid recreational activities. In addition to general governing activities, the governing body has significant financial influence over the Poquoson Public Schools and the Economic Development Authority (EDA), both of which are reported separately within

the City of Poquoson's financial statements. Additional information on these two legally separate entities can be found in Note 1 in the notes to basic financial statements.

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

### **Local Economy**

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

The City is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles and shoreline area of 87 miles, and according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,395.

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

The City has direct access to leading employment sites including NASA's Langley Research Center, Joint Base Langley-Eustis and Huntington Ingalls Industries, Inc. Local unemployment for the City remains below the state and national averages. According to the Bureau of Labor Statistics, the City's unemployment rate as of July 2020 increased from the prior year by 2.6% to 5.1%. The City's unemployment rate of 5.1% is below the national average of 11.2% and the state average of 8.2% 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 Constrained Capital Improvement Plan; the document then goes to City Council for final approval. Although the CCIP is intended to be a commitment to a multi-year capital improvement program, it is fundamentally a planning document and subject to annual modifications as priorities, available funding and other factors create a need for revision.

### **Relevant Financial Policies**

In October 2009, the City formally adopted a series of financial policy guidelines and in June 2011 modified these policies to incorporate GASB 54. The policies include debt policies as well as fund balance policies. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times, therefore one of the fund balance policies adopted included maintaining a minimum unassigned fund balance of 12%-15% of the current year budgeted expenditures. The unassigned fund balance at the end of the year was 21.0% of budget expenditures, well above the adopted policies.

The City has built the Fiscal Stability Reserve to \$1 Million. In January 29, 2021, City Council approved a transfer from unrestricted fund balance of \$178,000 bringing the reserve to the approved policy of \$1 Million. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures or revenue distributions (i.e. hurricane or pandemic related). The reserve is accounted for separately in Fund Balance for the General Fund which can be found in Note 11.

Using regular financial reports prepared for City Council, the City recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would

significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures.

### **Major Initiatives**

The City continued its comprehensive outreach marketing campaign entitled “*Poquoson Is The Place*” to increase awareness of Poquoson as a wonderful place to live and in which to do business. The campaign folder cites Poquoson as the place to “*Live, Grow, Work, And Play*” and provides informational overviews of the City’s business-friendly focus, single and multi-family residential availability, community engagement opportunities, and its outstanding public school system.

The Poquoson Police Department implemented three new Community Engagement events during 2021. The three events were DARE Camp, 911 Leadership Camp and Bicycle Rodeo. Each event had two sessions with a total of approximately 60 youth from our community involved. These three events allowed the Police Department to not only build relationships with the children in our community but the entire family as well.

In Fiscal Years 2020 and 2021 several development projects were reported as pending approval with construction commencing sometime in 2022 and 2023. Construction has commenced on the CVS Pharmacy on Wythe Creek Road with completion expected in December 2021.

Construction did not commence on the two additional mixed-use buildings in Phase II of the Fountains of Poquoson. The conditional use permit for Phase II has now expired. The developer obtained approval from City Council at its April 8, 2019 meeting to extend the time to complete Phase II until September 11, 2021 or the Conditional Use Permit would become null and void. There has been much conversation with the developer and plans for the ultimate buildout may change. The owner is submitting a rezoning amendment that will allow separate parcels for the purpose of obtaining funding. As for now, the entire Fountains of Poquoson development, located in the City’s Village Commercial district, will yield two residential structures and one stand-alone commercial building (in Phase III) and a mixture of 2/3<sup>rd</sup> townhomes and 1/3<sup>rd</sup> commercial offices in Phase IV.

The City has issued erosion and sediment plans for Quarter Creek Subdivision providing thirty three homes and Wythe Creek Estates which will provide nineteen homes and a new sewer pump station. Both of these projects are in the central precinct. The Quarter Creek final plat has been recently approved and the Wythe Creek Estates development may be amended in light of the expense involved in providing sewer to the proposed lots.

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

amendments to modify buffer requirements and a rezoning amendment to provide a wider range of architectural styles for townhomes.

The City is processing plans for a 26-lot subdivision off Darden Dr. These plans are still under review.

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

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

For the City of Poquoson, the project will provide sidewalks on either side of Wythe Creek Road and will improve the Cary’s Chapel and Wythe Creek Road intersection. The existing causeway will be retained and will feature a walking and biking path. The elevated bridge will provide an additional evacuation route out of the City during a flood event. The design has been completed and this project will go to advertisement in November of 2021. If the bids come in as expected, we can expect a project award in the spring of 2022.

A new trail for South Lawson Park is currently in development and will provide a much improved walking area for the park; as well as compliment the many new features going into the recreational facility. The City recently competed for and received approval for \$3.7 million dollars in VDOT Smart Scale Funding. This funding will be used to provide access control, shoulder improvements and a multi-use trail on Victory Boulevard. Poquoson also recently passed the pre-screening stage for the Revenue Sharing Funding for improvements at the Little Florida, Poquoson Avenue, and Laydon Way intersection. This realignment will provide traffic calming measures, sight distance improvements, and conflict point reduction; making the intersection safer and easier for citizens to navigate. This project if accepted into the program will begin Preliminary Engineering in FY2026.

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



The Sewer Fund continued its upgrade of the Supervisory Control and Data Acquisition (SCADA) system by upgrading Antenna's on ten of the City's pump stations. The new antennas allow for faster and clearer data to be transmitted to the SCADA server. In addition, the City upgraded five pump stations flow capacity and entered into a cost share agreement with HRSD to relocate and upgrade one pump stations force main sewer line.

In the continued public health emergency associated with COVID-19, the Library focused its efforts on serving the community virtually and in person. In July the library opened its doors back to the public with limited services and continued its virtual programming as well as introduced Take and Make activity kits for youth of all ages. Throughout the year the library distributed 2,186 take and make kits and its virtual programs were viewed 1,616 times via social media. The library also conducted outdoor and passive programming to promote social distancing, with scavenger hunts and walks. The library continued to meet the community's demand for digital collection items adjusting the collection budget to reflect the 18% usage increase over the year before. The library's print collection also demonstrated an almost 7% increase in usage over the year before as people regained their comfort in using print materials. The library continued with the quarantine and sanitation of all returned materials throughout the year and kept its curbside pickup program in place for citizens not yet comfortable with visiting the library. Public computer usage was done by appointment in fiscal year 2021 to allow staff time to sanitize between uses. Space for study and wifi users was also sanitized hourly. There were a total of 6,015 computer/wifi sessions utilized in the library in fiscal year 2021.

Other initiatives were developed by the Community Recreation Department during the pandemic which promoted social distancing protocols and offered safety-first programming opportunities for the citizens of Poquoson. These programs included a Halloween "candy delivery service" called the *Boo Crew*, a "Letters to Santa" Campaign with official "mailing stations", a Holiday "House Decorating" contest and a "Be My Valentine" Home delivery Gift Box Program. These programs were met with such overwhelmingly positive response in the community that they will continue to be annual programming staples.

Additionally to assist Poquoson businesses during the continuing pandemic, the City's Economic Development Office has administered grant programs which have thus far provided more than \$400,000 to Poquoson businesses.

### **Awards and Acknowledgements**

The City of Poquoson'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.

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

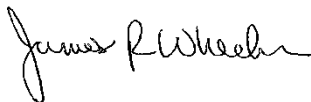
School League state-level competitions in its class. The Poquoson Middle School modernization project is underway and it is anticipated that students will move back into the newly-renovated, high-tech facility by January 2023.

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, 2020. This was the 33<sup>rd</sup> 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 ACFR, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

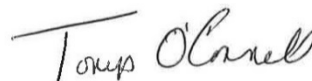
The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Adopted Budget for fiscal year 2021 for the 29<sup>th</sup> consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

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

Respectfully submitted,



James R. Wheeler  
City Manager



Tonya A. O'Connell, CPA  
Assistant City Manager

## ***Financial Section***

## 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, 2021, 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, 2021, 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.

**Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. As a result, related net position and fund balances have been restated. Our opinions are not modified with respect to this matter.

**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 purposes 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 December 13, 2021, 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  
December 13, 2021



## **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, 2020 - June 30, 2021**

As management of the City of Poquoson, Virginia (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities as of and for the fiscal year ("FY") ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found in the introduction section of this report, and the notes to the basic financial statements, which can be found immediately following the basic financial statements.

### **Financial Highlights**

- For FY 2021, the City maintained a strong financial position for both its governmental and business-type funds while still being faced with the public health emergency known as COVID-19. The City continued to provide service and commitment to the citizens during the public health emergency which reflected on the irrepensible practices of the City to ensure financial management.
- The assets and deferred outflows of the City's Primary Government exceeded its liabilities and deferred inflows of resources as of June 30, 2021 by \$35.7 million (net position). The City's Primary Government total net position increased by \$3.2 million from the prior year.
- As of June 30, 2021, the unassigned fund balance for the General Fund was \$7.4 million or 28.2% of total General Fund expenditures. The unassigned fund balance exceeds the fund balance policies by 13.2%.
- The City's total debt outstanding at June 30, 2021 was \$41.8 million for all funds which is an increase overall of \$1.3 million from the prior year. The City issued new debt for the Poquoson Middle School Turf Field and the final borrowing for the Poquoson Middle School Renovation.
- 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.
- The City was able to achieve the goal of \$1 million in the revenue stabilization reserve which was established by City Council.

## Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City itself (the primary government), but also a legally separate school system, Poquoson City Public Schools (PCPS), and a legally separate Poquoson Economic Development Authority (EDA) for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on Exhibits A and B of this report.

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

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

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

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

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

**Fiduciary Funds.** The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The fiduciary funds include the Other Postemployment Benefits Trust Fund and Library Custodial Fund, a party outside the City. These activities are reported in a separate Statement of Fiduciary Net Position. The City excludes this activity from its government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds' statements can be found on Exhibit H and I of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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



# Government-Wide Financial Analysis

## Summary of Statement of Net Position As of June 30, 2021

	Governmental Activities		Business-type Activities		Total	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Current and other assets	\$ 37,991,419	\$ 30,572,207	\$ 4,051,221	\$ 3,580,002	\$ 42,042,640	\$ 34,152,209
Capital assets	44,404,608	38,150,653	9,961,180	10,666,017	54,365,788	48,816,670
Total assets	82,396,027	68,722,860	14,012,401	14,246,019	96,408,428	82,968,879
Deferred Outflows of Resources	4,777,701	3,393,120	140,555	132,390	4,918,256	3,525,510
<b>Total assets and deferred outflows</b>	<b>\$ 87,173,728</b>	<b>\$ 72,115,980</b>	<b>\$ 14,152,956</b>	<b>\$ 14,378,409</b>	<b>\$ 101,326,684</b>	<b>\$ 86,494,389</b>
Current and other liabilities	\$13,171,052	\$5,137,149	\$822,579	\$745,262	\$13,993,631	\$5,882,411
Long-term liabilities	46,762,992	42,585,027	4,315,762	4,896,453	51,078,754	47,481,480
Total liabilities	59,934,044	47,722,176	5,138,341	5,641,715	65,072,385	53,363,891
Deferred Inflows of Resources	365,220	618,368	197,743	23,671	562,963	642,039
<b>Total liabilities and deferred inflows</b>	<b>\$ 60,299,264</b>	<b>\$ 48,340,544</b>	<b>\$ 5,336,084</b>	<b>\$ 5,665,386</b>	<b>\$ 65,635,348</b>	<b>\$ 54,005,930</b>
Net investment in capital assets	\$21,089,440	\$18,133,197	\$5,370,778	\$5,454,081	\$26,460,218	\$23,587,278
Restricted	1,310,631	2,489,143	-	-	1,310,631	2,489,143
Unrestricted	4,474,393	3,153,096	3,446,094	3,258,942	7,920,487	6,412,038
<b>Total net position</b>	<b>\$ 26,874,464</b>	<b>\$ 23,775,436</b>	<b>\$ 8,816,872</b>	<b>\$ 8,713,023</b>	<b>\$ 35,691,336</b>	<b>\$ 32,488,459</b>

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$35.7 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 \$26.5 million. The City uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net position of \$7.9 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

The governmental activities' net position increased by \$3.1 million and the business-type activities increased by \$0.1 million during FY 2021. The increase of the net position of the governmental activities is due to the ability of reimbursing cost associated with COVID-19 and better than expected local revenue and the net position of the business-type activities is due to less than expected expenses in both the Sewer and Solid Waste Funds.

**Summary of Changes in Net Position**  
**June 30, 2021**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Revenues:						
Program revenues:						
Charges for services	\$ 1,097,310	\$ 978,947	\$ 3,069,688	\$ 3,043,231	\$ 4,166,998	\$ 4,022,178
Operating grants and contributions	3,644,428	2,284,340	-	-	3,644,428	2,284,340
Capital grants and contributions	878,892	928,323	24,811	-	903,703	928,323
General revenues:						
Real estate and personal property taxes	23,965,689	23,549,034	-	-	23,965,689	23,549,034
Other local taxes	3,408,037	2,903,939	-	-	3,408,037	2,903,939
Reimbursements from other agencies	186,967	123,570	-	-	186,967	123,570
Miscellaneous	128,922	405,494	-	-	128,922	405,494
Unrestricted investment earnings	206,247	322,261	2,476	32,776	208,723	355,037
<b>Total revenues</b>	<b>\$33,516,492</b>	<b>\$31,495,908</b>	<b>\$3,096,975</b>	<b>\$3,076,007</b>	<b>\$36,613,467</b>	<b>\$34,571,915</b>
Expenses:						
General government	12,215,070	4,959,427	-	-	12,215,070	4,959,427
Public safety and judicial	8,591,167	7,740,807	-	-	8,591,167	7,740,807
Public works	2,151,030	1,821,762	-	-	2,151,030	1,821,762
Health and welfare	1,070,059	1,165,110	-	-	1,070,059	1,165,110
Education	3,010,568	12,899,682	-	-	3,010,568	12,899,682
Parks, recreation, cultural	1,608,001	1,778,533	-	-	1,608,001	1,778,533
Economic Development Authority	145,141	17,053	-	-	145,141	17,053
Community development	597,883	765,613	-	-	597,883	765,613
Interest and fees on long-term debt	1,263,545	1,228,907	-	-	1,263,545	1,228,907
Sewer	-	-	1,654,348	1,457,329	1,654,348	1,457,329
Solid waste	-	-	1,103,778	1,041,994	1,103,778	1,041,994
<b>Total expenses</b>	<b>30,652,464</b>	<b>32,376,894</b>	<b>2,758,126</b>	<b>2,499,323</b>	<b>33,410,590</b>	<b>34,876,217</b>
<b>Change in net assets before transfers</b>	<b>2,864,028</b>	<b>(880,986)</b>	<b>338,849</b>	<b>576,684</b>	<b>3,202,877</b>	<b>(304,302)</b>
Transfers	235,000	200,000	(235,000)	(200,000)	-	-
<b>Increase in net position</b>	<b>3,099,028</b>	<b>(680,986)</b>	<b>103,849</b>	<b>376,684</b>	<b>3,202,877</b>	<b>(304,302)</b>
<b>Net position, beginning of year</b>	<b>23,775,436</b>	<b>24,456,422</b>	<b>8,713,023</b>	<b>8,336,339</b>	<b>32,488,459</b>	<b>32,792,761</b>
<b>Net position, end of year</b>	<b>\$ 26,874,464</b>	<b>\$ 23,775,436</b>	<b>\$ 8,816,872</b>	<b>\$ 8,713,023</b>	<b>\$ 35,691,336</b>	<b>\$ 32,488,459</b>

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

	<b>FY 2021</b>	<b>FY 2020</b>
Real estate tax revenue	\$ 18,465,912	\$ 18,405,321
Public service corporation taxes	247,639	222,248
Personal property taxes	5,126,826	4,863,221
Penalties and interest	125,312	58,244
<b>Total</b>	<b>\$ 23,965,689</b>	<b>\$ 23,549,034</b>

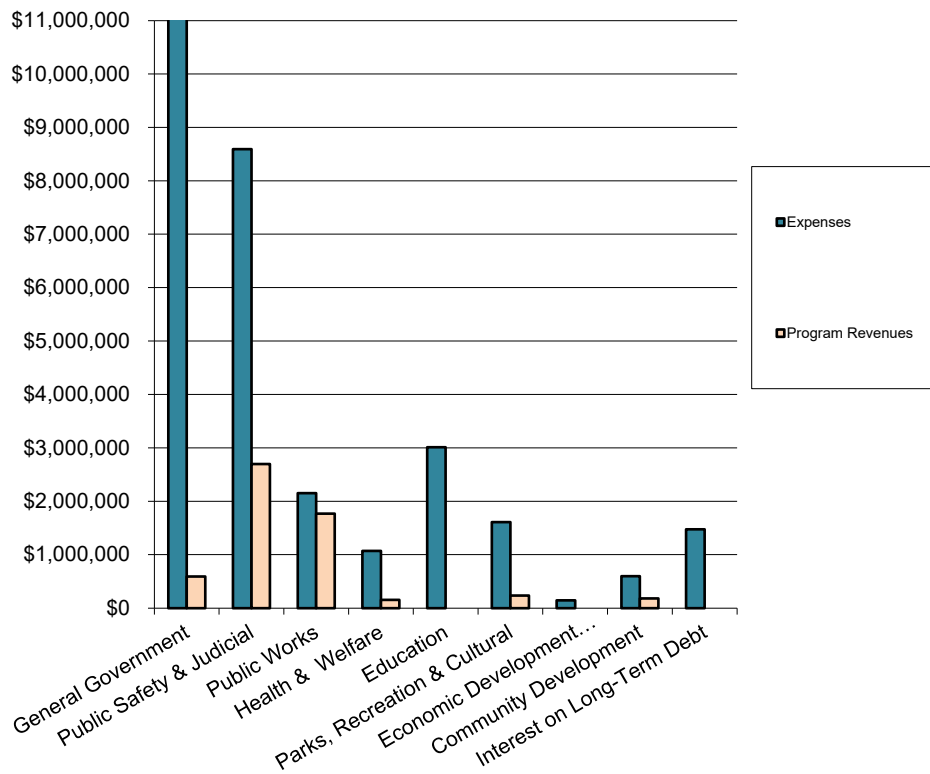
Real estate revenue was higher in FY 2021 as compared to FY 2020 due to a modest increase in new homes and improvements since the reassessments of property that began in FY 2020. The City's real estate property tax assessments were \$1,655,142,200 and \$1,665,332,400 for FY 2021 and FY 2020, respectively. The City's real estate tax rate was \$1.14 per \$100 of assessed value in FY 2021 and FY 2020.

The City's personal property tax assessments were \$132,391,560 and \$133,764,475 for FY 2021 and FY 2020, respectively. In FY 2021 and FY 2020, the City's personal property tax rate was \$4.15 per \$100 of assessed value for vehicles. For boats and recreational vehicles, the tax rate was \$0.00001 per \$100 of assessed value for boats and \$1.50 per \$100 of assessed value for recreational vehicles for FY 2021 and FY 2020. In FY 2020 and FY 2019, the City's tax rate for mobile homes was \$1.14 and \$1.07 per assessed value. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was \$1,923,431 for FY 2021 and FY 2020.

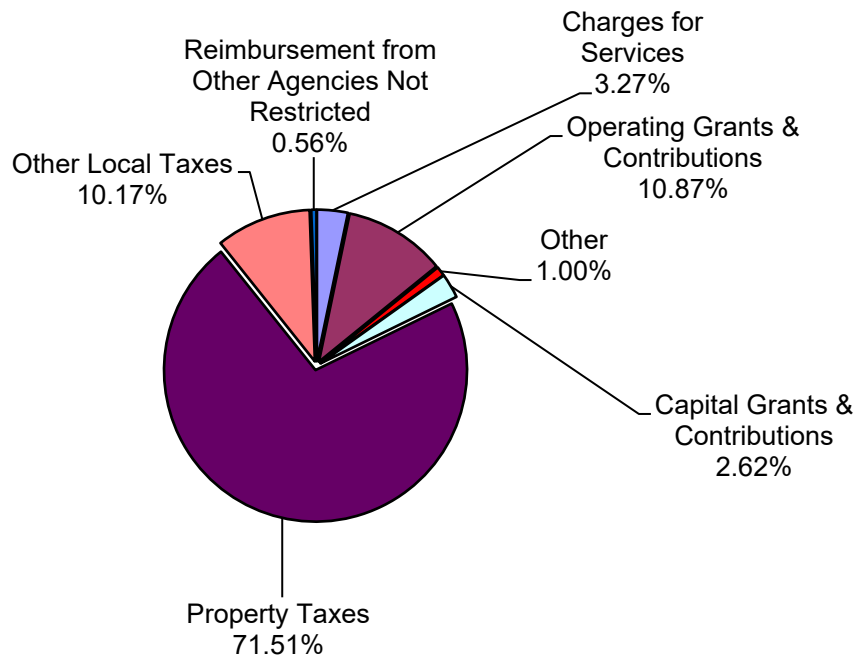
Other local taxes were \$3.4 million and \$2.9 million for FY 2021 and FY 2020 and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes, and a variety of other taxes.

For FY 2021, expenses for governmental activities totaled \$30.7 million, including an expense of \$3.0 million to Poquoson City Public Schools (PCPS). For FY 2020, expenses for governmental activities totaled \$32.4 million, including a net payment of \$12.9 million to PCPS.

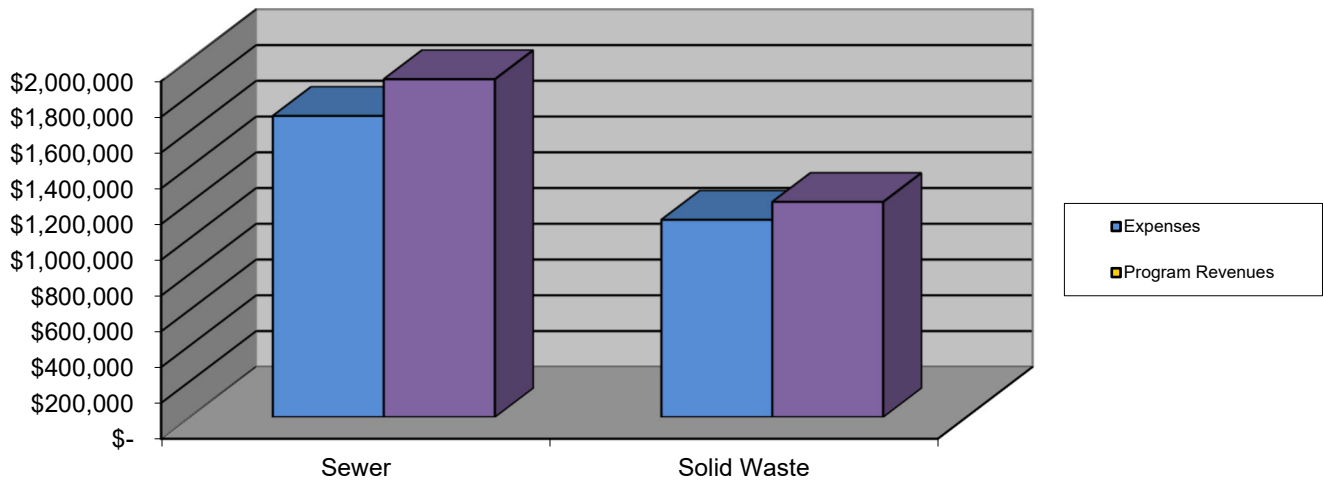
## Expenses and Program Revenues - Governmental Activities



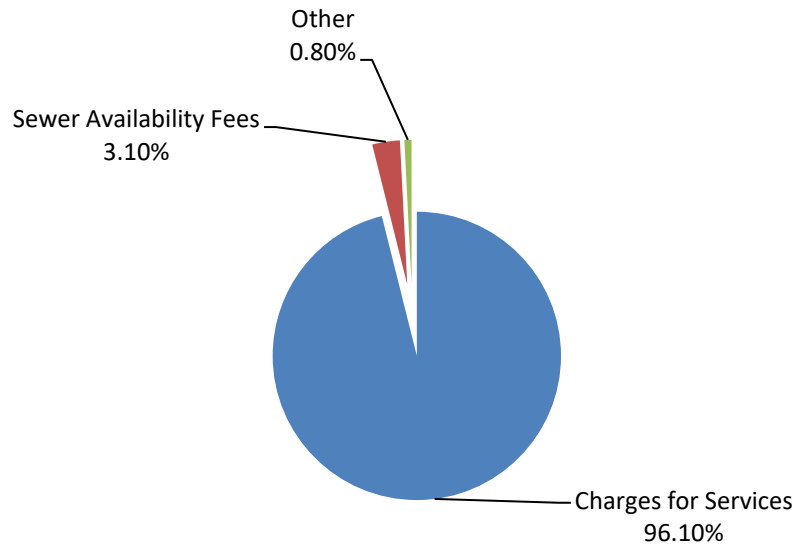
## Revenues by Sources - Governmental Activities



### Expense and Program Revenues - Business-type Activities



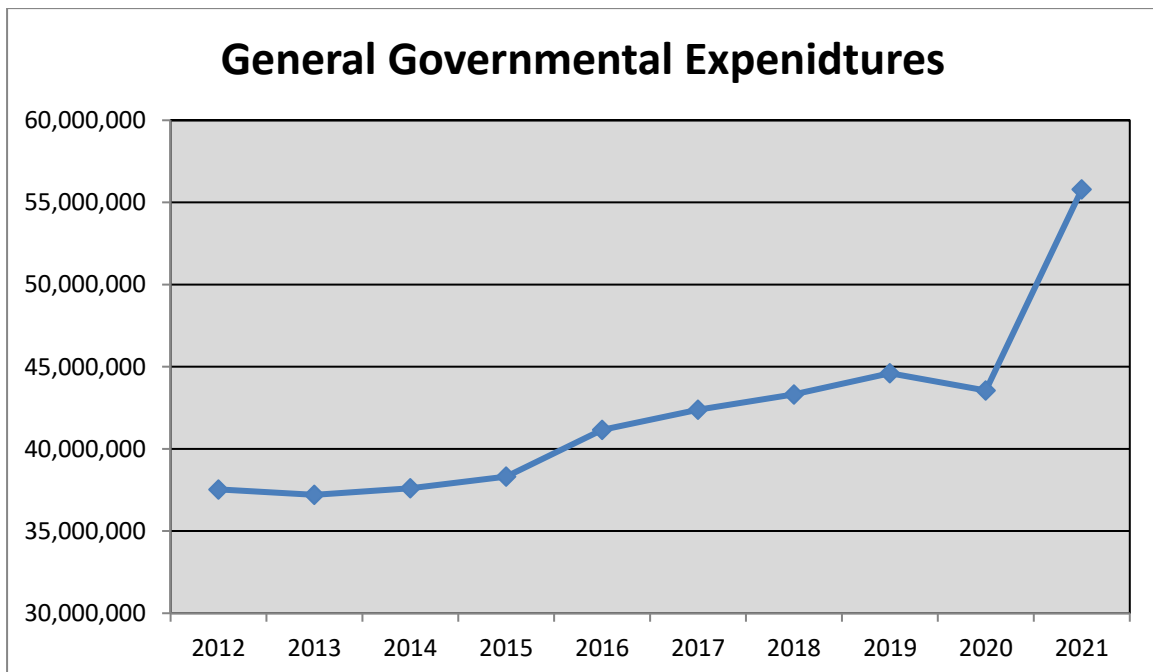
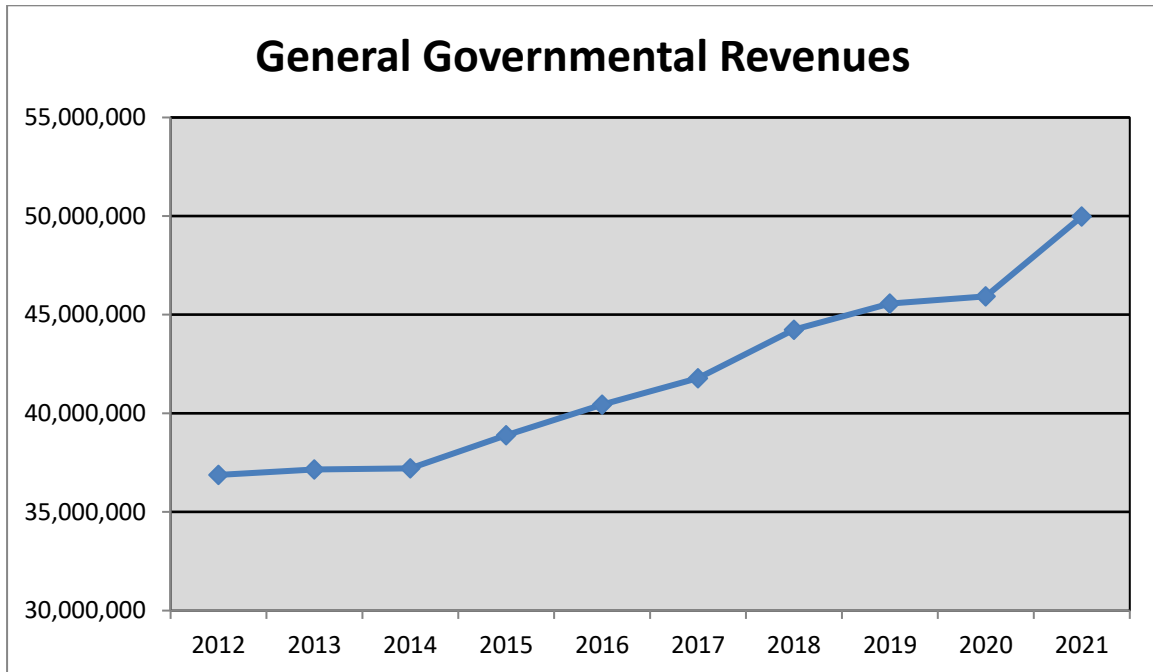
### Revenues by Source - Business-type Activities



**Business-type Activities.** Business-type activities increased the City's net position before transfers by \$0.3 million and increased the net position by \$0.1 million after transfers. This increase in net position can be attributable to less than expected expenses for both the Sewer and Solid Waste Funds.

## Financial Analysis of the Governmental Funds

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



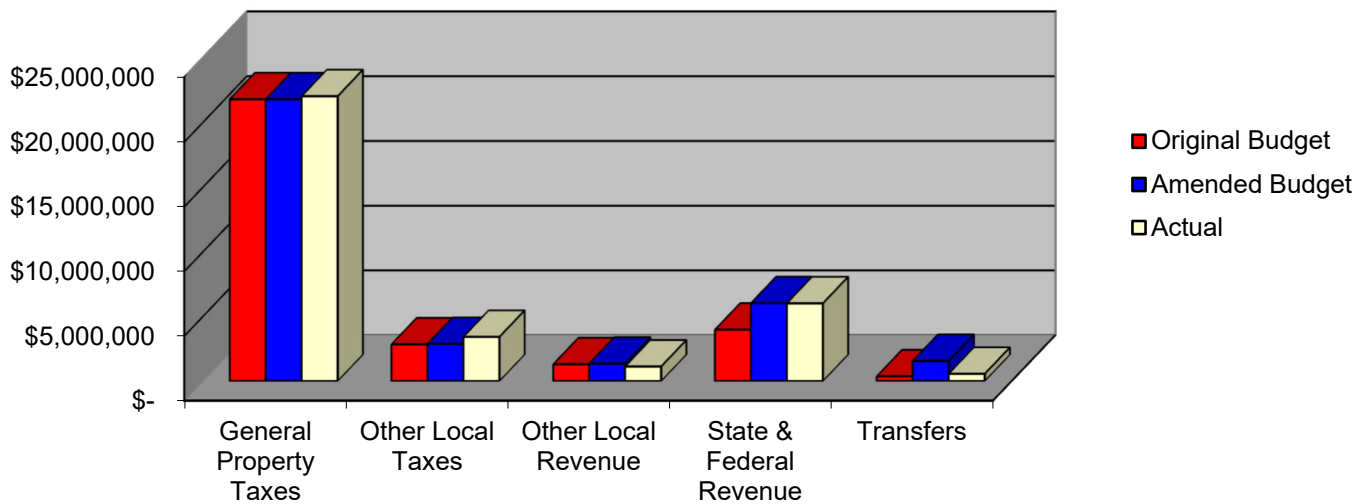
## **General Fund Budgetary Highlights**

The City uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit L. The City records actual revenues and expenditures using accounting principles generally accepted in the United States of America (U.S. GAAP), with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit L, the non-GAAP budgetary expenditures are reconciled to the U.S. GAAP statements. The budget differences of \$3.3 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$0.48 million appropriation to risk management for hazard and special duty supplements
- \$0.03 million re-appropriation to Voter Registrar for CARES funding
- \$0.10 million to the Police Department from re-appropriation of restricted revenue received in FY 2020 and new revenue received in FY 2021 from grants and donations
- \$0.38 million to the Fire Department from re-appropriation of restricted revenue received in FY 2020 and new revenue received in FY 2021 from grants
- \$0.03 million additional transfer to the PCPS for the prior year unspent transfer to provide additional funding towards technology
- \$0.04 million to the Library Department from re-appropriation of restricted revenue received in FY 2020 and new revenue received in FY 2021
- \$0.94 million appropriation for CARES Funding to reimburse for expenditures relating to COVID-19
- \$1.30 million appropriation to increase the fiscal stability reserve, the unrestricted fund balance and provide transfer to the Capital Project Fund

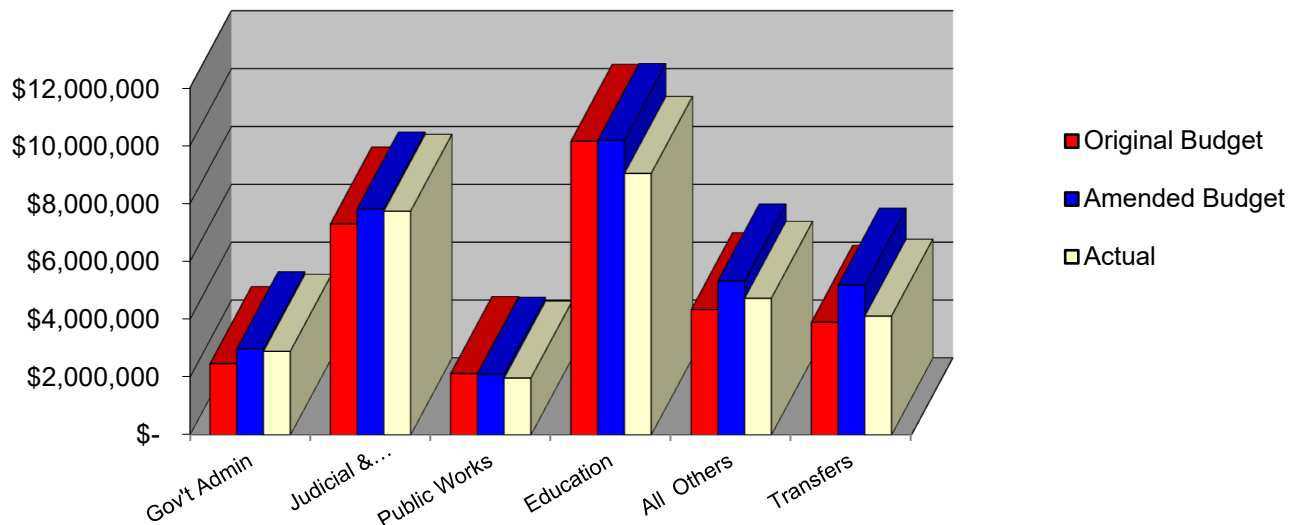
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

### General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues and other financing sources of \$33.1 million exceeded the original budget by \$2.9 million and was less than the amended budget by \$0.5 million. It should be noted that the City budgeted \$1.0 million for use of the fund balance, which is not included in the actual revenue for General Fund. In FY 2021, the City received an appropriation related to the American Rescue Plan Act (ARPA) with the funds placed into unearned revenue for use in FY 2022 and beyond.

### General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$30.4 million were less than the amended budget by \$3.1 million and slightly above the original budget by \$0.2 million. The decrease in expenditures from the amended budget is a result of vacancies within the City, reduction in operating expenditures during the pandemic, and the appropriation related to CARES which the funds were used to reimburse the General Fund in FY 2021.



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 2021, capital project expenditures of \$8.9 million included for signal upgrades, initial payment for the Police Department software which is a joint operation of York County, costs for highway and drainage improvements, and the continuing cost to renovate the Poquoson Middle School which is slated for completion in January 2023.

## 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, 2021, amounted to \$54.4 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, and allocated school buildings. The City owns roads, streetlights, and other infrastructure, but has only capitalized these assets placed in service since July 1, 2002. Infrastructure was capitalized beginning in FY 2007. The PCPS component unit owns their school buildings; however, the City has issued the debt and/or provided the resources to build and renovate school buildings. Thus, the State Code allows PCPS to allocate a portion of their asset to the City, if the City has outstanding debt on the school building.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-type Activities		Total	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Land	\$ 3,119,401	\$ 3,014,050	\$ 217,666	\$ 217,666	\$ 3,337,067	\$ 3,231,716
Land improvements	1,930,282	2,071,908	-	-	1,930,282	2,071,908
Construction in progress	8,528,419	1,219,939	-	-	8,528,419	1,219,939
Buildings	4,043,239	4,297,007	96,418	104,134	4,139,657	4,401,141
Building improvements	283,414	326,328	-	-	283,414	326,328
Infrastructure	6,845,892	7,020,055	-	-	6,845,892	7,020,055
Machinery and equipment	3,418,399	3,283,110	1,052,451	1,197,780	4,470,850	4,480,890
Sewer system	-	-	8,594,645	9,146,437	8,594,645	9,146,437
Allocated school buildings	16,235,562	16,918,256	-	-	16,235,562	16,918,256
	<b>\$ 44,404,608</b>	<b>\$ 38,150,653</b>	<b>\$ 9,961,180</b>	<b>\$ 10,666,017</b>	<b>\$ 54,365,788</b>	<b>\$ 48,816,670</b>

**Debt Administration.** Total outstanding general obligation debt at June 30, 2021 was \$41.8 million of which \$37.2 million is considered to be net direct tax supported debt. Included in the total debt are \$37.2 million in bonds and \$0.1 million in leases. The remaining \$4.5 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 less than expected bank fees. The increase of \$7,000 will remain in the fund to offset future debt service.

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, 2021 debt limitation for the City is \$166.5 million, which is significantly in excess of the City's \$41.8 million outstanding net direct bonded debt.

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

	<b>FY 2021</b>	<b>FY 2020</b>
Net direct bonded debt	\$37,220,997	\$35,532,585
Ratio of outstanding direct debt to assessed value	2.13%	2.34%

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 2022 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2022 adopted budget was prepared during a national and state declared public health emergency associated with COVID-19.
- The FY 2022 adopted budget decreased the real estate tax rate by one cent to \$1.13 per \$100 of assessed value.
- The FY 2022 adopted budget reflected the increase to real estate tax due to the reassessment effective July 1<sup>st</sup> and growth in new homes and improvements for the year.
- The FY 2022 adopted budget did, to the greatest extent possible, continue City services/programs at their current levels.
- The FY 2022 adopted budget provided for pay compensation of 3%.
- The FY 2022 adopted budget provided for annual public safety physical examinations for each of our sworn public safety officers.
- The FY 2022 adopted budget maintained rates for sewer and solid waste fees.
- The FY 2022 adopted budget continued the funding for the other postemployment benefits for eligible employees who retire from the City and a modest contribution to the trust held by VML/VACo Pooled OPEB Trust.
- In FY 2022 adopted budget increased the local support to PCPS as requested by the School Board.

## **Requests for Information**

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

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

## ***Basic Financial Statements***

**Statement of Net Position****June 30, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 16,531,884	\$ 3,574,069	\$ 20,105,953	\$ 3,793,458
Restricted cash and investments	16,405,272	-	16,405,272	458,048
Property taxes receivable, net	668,585	-	668,585	-
Other receivables, net	59,177	468,446	527,623	-
Due from component units	1,131,984	-	1,131,984	-
Notes receivable, component unit	1,647,904	-	1,647,904	-
Due from other governmental units	1,534,981	-	1,534,981	408,258
Inventory	11,632	8,569	20,201	17,147
Notes receivable	-	137	137	-
Capital assets				
Non-depreciable	11,647,820	217,666	11,865,486	2,781,821
Depreciable, net	32,756,788	9,743,514	42,500,302	8,098,286
<b>Total assets</b>	<b>82,396,027</b>	<b>14,012,401</b>	<b>96,408,428</b>	<b>15,557,018</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension	3,265,322	113,233	3,378,555	5,129,120
Deferred outflows related to OPEB	652,562	24,338	676,900	568,039
Deferred refunding costs	859,817	2,984	862,801	-
<b>Total deferred outflows of resources</b>	<b>4,777,701</b>	<b>140,555</b>	<b>4,918,256</b>	<b>5,697,159</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	2,790,239	107,550	2,897,789	2,576,465
Accrued interest	486,463	53,093	539,556	14,087
Unearned revenues	7,574,207	45,280	7,619,487	-
Due to Primary Government	-	-	-	2,779,888
Noncurrent liabilities				
Due within one year	2,738,180	657,656	3,395,836	90,712
Due in more than one year				
Long-term liabilities	37,835,485	3,958,724	41,794,209	341,251
Net pension liability	5,735,711	213,022	5,948,733	20,835,472
Net OPEB liability	2,773,759	103,016	2,876,775	3,128,905
<b>Total liabilities</b>	<b>59,934,044</b>	<b>5,138,341</b>	<b>65,072,385</b>	<b>29,766,780</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pension	-	-	-	1,676,673
Deferred inflows related to OPEB	137,195	5,095	142,290	186,090
Deferred refunding costs	228,025	192,648	420,673	-
<b>Total deferred inflows of resources</b>	<b>365,220</b>	<b>197,743</b>	<b>562,963</b>	<b>1,862,763</b>
<b>Net Position (Deficit)</b>				
Net investment in capital assets	21,089,440	5,370,778	26,460,218	9,232,203
Restricted for:				
Education	1,114,713	-	1,114,713	458,048
Public safety	63,689	-	63,689	-
Parks, recreation, and cultural	22,902	-	22,902	-
Community development	109,327	-	109,327	-
Unrestricted (deficit)	4,474,393	3,446,094	7,920,487	(20,065,617)
<b>Total net position (deficit)</b>	<b>\$ 26,874,464</b>	<b>\$ 8,816,872</b>	<b>\$ 35,691,336</b>	<b>\$ (10,375,366)</b>

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

## Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
Government activities								
General government and administration	\$ 12,215,070	\$ 589,108	\$ -	\$ -	\$ (11,625,962)	\$ -	\$ (11,625,962)	\$ -
Public safety and judicial	8,591,167	325,566	2,369,628	-	(5,895,973)	-	(5,895,973)	-
Public works	2,151,030	-	915,000	853,107	(382,923)	-	(382,923)	-
Health and welfare	1,070,059	-	152,542	-	(917,517)	-	(917,517)	-
Education	3,010,568	-	-	-	(3,010,568)	-	(3,010,568)	-
Parks, recreation, and cultural	1,608,001	37,028	198,252	-	(1,372,721)	-	(1,372,721)	-
Economic Development Authority	145,141	-	-	-	(145,141)	-	(145,141)	-
Community development	597,883	145,608	9,006	25,785	(417,484)	-	(417,484)	-
Interest and fees on long-term debt	1,263,545	-	-	-	(1,263,545)	-	(1,263,545)	-
<b>Total governmental activities</b>	<b>30,652,464</b>	<b>1,097,310</b>	<b>3,644,428</b>	<b>878,892</b>	<b>(25,031,834)</b>	<b>-</b>	<b>(25,031,834)</b>	<b>-</b>
Business-type activities								
Sewer	1,654,348	1,890,148	-	494	-	236,294	236,294	-
Solid waste	1,103,778	1,179,540	-	24,317	-	100,079	100,079	-
<b>Total business-type activities</b>	<b>2,758,126</b>	<b>3,069,688</b>	<b>-</b>	<b>24,811</b>	<b>-</b>	<b>336,373</b>	<b>336,373</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 33,410,590</b>	<b>\$ 4,166,998</b>	<b>\$ 3,644,428</b>	<b>\$ 903,703</b>	<b>(25,031,834)</b>	<b>336,373</b>	<b>(24,695,461)</b>	<b>-</b>
<b>Component Units</b>								
Poquoson Public Schools	\$ 26,211,658	\$ 1,451,484	\$ 12,604,104	\$ -	-	-	-	(12,156,070)
Economic Development Authority	180,887	14,778	-	-	-	-	-	(166,109)
<b>Total component units</b>	<b>\$ 26,392,545</b>	<b>\$ 1,466,262</b>	<b>\$ 12,604,104</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,322,179)</b>
<b>General Revenues</b>								
Real estate and personal property taxes					23,965,689	-	23,965,689	-
Other local taxes					3,408,037	-	3,408,037	2,438,009
Payments from the City of Poquoson					-	-	-	9,449,564
Reimbursements from other agencies not restricted to specific programs					186,967	-	186,967	-
Miscellaneous					128,922	-	128,922	-
Unrestricted investment earnings					206,247	2,476	208,723	-
<b>Transfers</b>					235,000	(235,000)	-	-
<b>Total general revenues, transfers, and miscellaneous</b>					<b>28,130,862</b>	<b>(232,524)</b>	<b>27,898,338</b>	<b>11,887,573</b>
<b>Change in net position</b>					<b>3,099,028</b>	<b>103,849</b>	<b>3,202,877</b>	<b>(434,606)</b>
<b>Net position (deficit), beginning of year (restated)</b>					<b>23,775,436</b>	<b>8,713,023</b>	<b>32,488,459</b>	<b>(9,940,760)</b>
<b>Net position (deficit), end of year</b>					<b>\$ 26,874,464</b>	<b>\$ 8,816,872</b>	<b>\$ 35,691,336</b>	<b>\$ (10,375,366)</b>

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

**Balance Sheet - Governmental Funds****June 30, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 14,756,759	\$ 1,093,957	\$ 1,557,410	\$ 17,408,126
Restricted cash and investments	1,310,631	-	14,094,641	15,405,272
Property taxes receivable, net	668,585	-	-	668,585
Other receivables	59,177	-	-	59,177
Due from component units	1,131,984	-	-	1,131,984
Notes receivable, component unit	1,647,904	-	-	1,647,904
Due from other governmental units	1,262,105	-	272,876	1,534,981
<b>Total assets</b>	<b>\$ 20,837,145</b>	<b>\$ 1,093,957</b>	<b>\$ 15,924,927</b>	<b>\$37,856,029</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 985,726	\$ 750	\$ 1,776,480	\$ 2,762,956
Unearned revenues	7,574,207	-	-	7,574,207
<b>Total liabilities</b>	<b>8,559,933</b>	<b>750</b>	<b>1,776,480</b>	<b>10,337,163</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	412,868	-	-	412,868
<b>Total deferred inflows of resources</b>	<b>412,868</b>	<b>-</b>	<b>-</b>	<b>412,868</b>
<b>Fund Balances</b>				
Fund balances				
Nonspendable	1,647,904	-	-	1,647,904
Restricted	1,310,631	-	13,896,824	15,207,455
Committed	1,000,000	-	-	1,000,000
Assigned	459,114	1,093,207	251,623	1,803,944
Unassigned	7,446,695	-	-	7,446,695
<b>Total fund balances</b>	<b>11,864,344</b>	<b>1,093,207</b>	<b>14,148,447</b>	<b>27,105,998</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 20,837,145</b>	<b>\$ 1,093,957</b>	<b>\$ 15,924,927</b>	<b>\$ 37,856,029</b>

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

**Balance Sheet - Governmental Funds****June 30, 2021****Reconciliation of Balance Sheet - Governmental Funds  
to Statement of Net Position**

<b>Total fund balances - governmental funds</b>	<b>\$ 27,105,998</b>
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 (excluding \$2,646 related to Internal Service Fund).	44,401,962
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$103,804 related to Internal Service Fund).	3,814,080
Deferred outflows and inflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds.	631,792
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.	412,868
Other liabilities not paid from current period revenues are not reported in funds for:	
Accrued interest	(486,463)
Accrued compensated absences (excluding \$27,208 related to Internal Service Fund)	(628,927)
Net pension liability (excluding \$160,857 related to Internal Service Fund)	(5,574,854)
Net OPEB liability (excluding \$77,789 related to Internal Service Fund)	(2,695,970)
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.	(39,917,530)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$3,848 related to Internal Service Fund).	(133,347)
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.	(55,145)
<b>Total net position - governmental activities</b>	<b>\$ 26,874,464</b>

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



**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds****Year Ended June 30, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$ 22,006,911	\$ -	\$ -	\$ 22,006,911
Other local taxes	3,408,037	-	-	3,408,037
Permits, privilege fees, and regulatory licenses	305,493	-	-	305,493
Fines and forfeitures	34,142	-	-	34,142
Use of money and property	206,247	-	-	206,247
Charges for services	508,202	-	-	508,202
Intergovernmental	6,030,080	-	853,107	6,883,187
Miscellaneous	62,139	24,583	44,114	130,836
<b>Total revenues</b>	<b>32,561,251</b>	<b>24,583</b>	<b>897,221</b>	<b>33,483,055</b>
<b>Expenditures</b>				
General government administration	2,924,942	-	-	2,924,942
Public safety and judicial	8,262,148	-	-	8,262,148
Public works	1,911,845	-	-	1,911,845
Health and welfare	1,055,408	-	-	1,055,408
Parks, recreation, and cultural	1,519,339	-	-	1,519,339
Community development	566,822	-	-	566,822
Nondepartmental	677,819	-	-	677,819
Education	9,304,423	-	-	9,304,423
Economic Development Authority	145,141	-	-	145,141
Capital outlay	-	-	8,449,930	8,449,930
Debt service				
Principal retirement	27,877	2,035,000	66,814	2,129,691
Interest and fiscal charges	-	1,438,970	3,605	1,442,575
Bond issuance costs	-	264,986	-	264,986
<b>Total expenditures</b>	<b>26,395,764</b>	<b>3,738,956</b>	<b>8,520,349</b>	<b>38,655,069</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,165,487</b>	<b>(3,714,373)</b>	<b>(7,623,128)</b>	<b>(5,172,014)</b>
<b>Other financing sources (uses)</b>				
Issuances of debt	-	2,990,829	3,350,171	6,341,000
Transfers in	536,900	3,795,082	387,241	4,719,223
Transfers out	(4,039,323)	(446,900)	-	(4,486,223)
Payments to Refunding Bonds Escrow Agent	-	(2,617,588)	-	(2,617,588)
<b>Total other financing sources (uses), net</b>	<b>(3,502,423)</b>	<b>3,721,423</b>	<b>3,737,412</b>	<b>3,956,412</b>
<b>Net change in fund balances</b>	<b>2,663,064</b>	<b>7,050</b>	<b>(3,885,716)</b>	<b>(1,215,602)</b>
<b>Fund balances, beginning of year</b>	<b>9,201,280</b>	<b>1,086,157</b>	<b>18,034,163</b>	<b>28,321,600</b>
<b>Fund balances, end of year</b>	<b>\$ 11,864,344</b>	<b>\$ 1,093,207</b>	<b>\$ 14,148,447</b>	<b>\$ 27,105,998</b>

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds****June 30, 2021****Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds to Statement of Activities**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (1,215,602)</b>
---	-----------------------

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.	35,351
--	--------

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	8,127,705
Depreciation expense	(1,870,224)
Disposal and transfers of capital assets, net	(2,938)

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

Deferred refunding charge, net	(403,754)
Repayment of debt principal and capital leases	4,748,034
Issuance of debt	(6,341,000)
Amortization of premiums	808,991

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	38,024
Compensated absences	36,634
Pension expense	(765,423)
OPEB expense	(96,856)

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.

	86
--	----

<b>Change in net position - governmental activities</b>	<b>\$ 3,099,028</b>
---	---------------------

**Statement of Net Position - Proprietary Funds****June 30, 2021**

	Business-type Activities			Governmental
	Proprietary Funds		Activities -	
	Sewer Operation	Solid Waste	Total	Internal Service Funds
<b>Assets</b>				
<b>Current assets</b>				
Cash and investments	\$ 3,383,736	\$ 190,333	\$ 3,574,069	\$ 123,758
Accounts receivable	268,123	200,323	468,446	-
Note receivable	137	-	137	-
Inventory	-	8,569	8,569	11,632
<b>Total current assets</b>	<b>3,651,996</b>	<b>399,225</b>	<b>4,051,221</b>	<b>135,390</b>
<b>Noncurrent assets</b>				
Capital assets				
Land	217,666	-	217,666	-
Buildings	123,549	9,023	132,572	41,742
Sewer system	22,551,561	-	22,551,561	-
Machinery and equipment	1,848,988	584,856	2,433,844	37,772
Less accumulated depreciation	(14,935,130)	(439,333)	(15,374,463)	(76,868)
<b>Total capital assets, net</b>	<b>9,806,634</b>	<b>154,546</b>	<b>9,961,180</b>	<b>2,646</b>
<b>Total assets</b>	<b>13,458,630</b>	<b>553,771</b>	<b>14,012,401</b>	<b>138,036</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension	91,349	21,884	113,233	85,505
Deferred outflows related to OPEB	19,652	4,686	24,338	18,299
Deferred refunding costs	2,984	-	2,984	-
<b>Total deferred outflows of resources</b>	<b>113,985</b>	<b>26,570</b>	<b>140,555</b>	<b>103,804</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	25,583	75,922	101,505	23,128
Accrued payroll	4,447	1,598	6,045	4,155
Accrued interest	53,093	-	53,093	-
Compensated absences	1,887	413	2,300	2,721
Unearned revenues	45,280	-	45,280	-
Bonds payable	655,356	-	655,356	-
<b>Total current liabilities</b>	<b>785,646</b>	<b>77,933</b>	<b>863,579</b>	<b>30,004</b>
<b>Noncurrent liabilities</b>				
Compensated absences	16,979	3,715	20,694	24,487
Bonds payable	3,938,030	-	3,938,030	-
Net pension liability	171,851	41,171	213,022	160,857
Net OPEB liability	83,106	19,910	103,016	77,789
<b>Total noncurrent liabilities</b>	<b>4,209,966</b>	<b>64,796</b>	<b>4,274,762</b>	<b>263,133</b>
<b>Total liabilities</b>	<b>4,995,612</b>	<b>142,729</b>	<b>5,138,341</b>	<b>293,137</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to OPEB	4,109	986	5,095	3,848
Deferred refunding costs	192,648	-	192,648	-
<b>Total deferred inflows of resources</b>	<b>196,757</b>	<b>986</b>	<b>197,743</b>	<b>3,848</b>
<b>Net Position</b>				
Net investment in capital assets	5,216,232	154,546	5,370,778	2,646
Unrestricted (deficit)	3,164,014	282,080	3,446,094	(57,791)
<b>Total net position (deficit)</b>	<b>\$ 8,380,246</b>	<b>\$ 436,626</b>	<b>\$ 8,816,872</b>	<b>\$ (55,145)</b>

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

**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds****Year Ended June 30, 2021**

	Business-type Activities			Governmental Activities - Internal Service Funds
	Sewer Operation	Solid Waste	Total	
<b>Operating revenues</b>				
Charges for services	\$ 1,794,133	\$ 1,179,540	\$ 2,973,673	\$ 719,240
Miscellaneous	-	300	300	-
<b>Total operating revenues</b>	<b>1,794,133</b>	<b>1,179,840</b>	<b>2,973,973</b>	<b>719,240</b>
<b>Operating expenses</b>				
Personnel services	338,185	116,278	454,463	324,167
Contractual services	97,876	478,950	576,826	367,972
Materials and supplies	57,128	46,756	103,884	7,704
Utilities	80,550	79	80,629	3,246
Depreciation	695,769	24,716	720,485	589
Other charges	114,206	3,579	117,785	17,476
Waste disposal	-	433,420	433,420	-
<b>Total operating expenses</b>	<b>1,383,714</b>	<b>1,103,778</b>	<b>2,487,492</b>	<b>721,154</b>
<b>Operating income (loss)</b>	<b>410,419</b>	<b>76,062</b>	<b>486,481</b>	<b>(1,914)</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	2,176	-	2,176	-
Interest and fiscal charges	(270,634)	-	(270,634)	-
Gain on sale of equipment	494	24,317	24,811	-
Sewer availability fees	96,015	-	96,015	-
<b>Total nonoperating revenues (expenses), net</b>	<b>(171,949)</b>	<b>24,317</b>	<b>(147,632)</b>	<b>-</b>
<b>Income before transfers</b>	<b>238,470</b>	<b>100,379</b>	<b>338,849</b>	<b>(1,914)</b>
<b>Transfers</b>				
Transfers in	-	15,000	15,000	2,000
Transfers out	(200,000)	(50,000)	(250,000)	-
<b>Transfers in (out), net</b>	<b>(200,000)</b>	<b>(35,000)</b>	<b>(235,000)</b>	<b>2,000</b>
<b>Change in net position</b>	<b>38,470</b>	<b>65,379</b>	<b>103,849</b>	<b>86</b>
<b>Net position, beginning of year</b>	<b>8,341,776</b>	<b>371,247</b>	<b>8,713,023</b>	<b>(55,231)</b>
<b>Net position, end of year</b>	<b>\$ 8,380,246</b>	<b>\$ 436,626</b>	<b>\$ 8,816,872</b>	<b>\$ (55,145)</b>

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

**Statement of Cash Flows - Proprietary Funds****Year Ended June 30, 2021**

	Business-type Activities			Internal Service Funds
	Sewer Operation	Solid Waste	Total	
<b>Cash flows from operating activities</b>				
Received from customers and users	\$ 1,771,882	\$ 1,159,203	\$ 2,931,085	\$ 719,240
Payments to suppliers for goods and services	(288,175)	(969,034)	(1,257,209)	(389,246)
Payments to employees	(311,711)	(101,907)	(413,618)	(292,727)
<b>Net cash provided by operating activities</b>	<b>1,171,996</b>	<b>88,262</b>	<b>1,260,258</b>	<b>37,267</b>
<b>Cash flows from noncapital financing activities</b>				
Due from other funds, net	-	-	-	2,000
Transfers to other funds, net	(200,000)	(35,000)	(235,000)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(200,000)</b>	<b>(35,000)</b>	<b>(235,000)</b>	<b>2,000</b>
<b>Cash flows from capital and related financing activities</b>				
Principal paid on capital debt, net of refunding proceeds	(387,000)	-	(387,000)	-
Sewer availability fees	96,015	-	96,015	-
Interest paid on capital debt	(322,008)	-	(322,008)	-
Gain on sale of equipment	494	24,317	24,811	-
Acquisition and construction of capital assets	(15,650)	-	(15,650)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(628,149)</b>	<b>24,317</b>	<b>(603,832)</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Interest received	2,176	-	2,176	-
<b>Net increase in cash and investments</b>	<b>346,023</b>	<b>77,579</b>	<b>423,602</b>	<b>39,267</b>
<b>Cash and investments, beginning of year</b>	<b>3,037,713</b>	<b>112,754</b>	<b>3,150,467</b>	<b>84,491</b>
<b>Cash and investments, end of year</b>	<b>\$ 3,383,736</b>	<b>\$ 190,333</b>	<b>\$ 3,574,069</b>	<b>\$ 123,758</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 410,419	\$ 76,062	\$ 486,481	\$ (1,914)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	695,770	24,716	720,486	589
Pension expense	28,834	7,047	35,881	23,607
OPEB expense	(5,985)	7,268	1,283	9,695
Changes in assets and liabilities:				
Receivables	(22,251)	(20,637)	(42,888)	-
Inventories	-	(4,729)	(4,729)	(1,262)
Accounts payable and accrued liabilities	61,584	(1,521)	60,063	8,414
Accrued compensated absences	1,293	(21)	1,272	812
Accrued payroll	2,332	77	2,409	(2,674)
<b>Net cash provided by operating activities</b>	<b>\$ 1,171,996</b>	<b>\$ 88,262</b>	<b>\$ 1,260,258</b>	<b>\$ 37,267</b>

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

**Statement of Fiduciary Net Position****June 30, 2021**

		Other Postemployment Benefits Trust Fund	Library Custodial Fund
	<b>Assets</b>		
Cash and cash equivalents		\$ 73,780	\$ 17,682
Investments in pooled funds		201,014	-
<b>Total assets</b>		<b>274,794</b>	<b>17,682</b>
	<b>Liabilities</b>		
Advance payments		14,194	-
<b>Total liabilities</b>		<b>14,194</b>	<b>-</b>
	<b>Net Position</b>		
Restricted for postemployment benefits other than pensions		260,600	-
Restricted for others		-	17,682
		<b>\$ 260,600</b>	<b>\$ 17,682</b>

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

**Statement of Changes in Fiduciary Net Position****Year Ended June 30, 2021**

		Other Postemployment Benefits Trust Fund	Library Custodial Fund
	<b>Additions</b>		
Contributions		\$ 201,136	\$ 27
Net increase in fair value of investments		32,318	-
<b>Total additions</b>		<b>233,454</b>	<b>27</b>
	<b>Deductions</b>		
Retirement benefits		186,136	-
<b>Total deductions</b>		<b>186,136</b>	<b>-</b>
Change in net position		47,318	27
Total net position, beginning of year (restated)		213,282	17,655
Total net position, end of year		<b>\$ 260,600</b>	<b>\$ 17,682</b>

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

**Combining Statement of Net Position - Component Units****June 30, 2021**

	Poquoson City Public Schools	Economic Development Authority	Total
<b>Assets</b>			
Cash and cash equivalents, net	\$ 3,748,325	\$ 45,133	\$ 3,793,458
Restricted cash and cash equivalents	458,048	-	458,048
Due from other governments	408,258	-	408,258
Inventory	17,147	-	17,147
Capital assets			
Non-depreciable	450,876	2,330,945	2,781,821
Depreciable, net	8,040,969	57,317	8,098,286
<b>Total assets</b>	<b>13,123,623</b>	<b>2,433,395</b>	<b>15,557,018</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension	5,129,120	-	5,129,120
Deferred outflows related to OPEB	568,039	-	568,039
<b>Total deferred outflows of resources</b>	<b>5,697,159</b>	<b>-</b>	<b>5,697,159</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,576,215	250	2,576,465
Accrued interest	-	14,087	14,087
Due to Primary Government	1,131,984	1,647,904	2,779,888
Noncurrent liabilities			
Due within one year	90,712	-	90,712
Due in more than one year	341,251	-	341,251
Net pension liability	20,835,472	-	20,835,472
Net OPEB liability	3,128,905	-	3,128,905
<b>Total liabilities</b>	<b>28,104,539</b>	<b>1,662,241</b>	<b>29,766,780</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	1,676,673	-	1,676,673
Deferred inflows related to OPEB	186,090	-	186,090
<b>Total deferred inflows of resources</b>	<b>1,862,763</b>	<b>-</b>	<b>1,862,763</b>
<b>Net Position</b>			
Net investment in capital assets	8,491,845	740,358	9,232,203
Restricted	458,048	-	458,048
Unrestricted (deficit)	(20,096,413)	30,796	(20,065,617)
<b>Total net position (deficit)</b>	<b>\$ (11,146,520)</b>	<b>\$ 771,154</b>	<b>\$ (10,375,366)</b>

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



**Combining Statement of Activities - Component Units****Year Ended June 30, 2021**

	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
<b>Poquoson City Public Schools</b>							
Education	\$ 26,211,658	\$ 1,451,484	\$ 12,604,104	\$ -	\$ (12,156,070)	\$ -	\$ (12,156,070)
Economic Development Authority	180,887	14,778	-	-	-	(166,109)	(166,109)
<b>Total component units</b>	<b>\$ 26,392,545</b>	<b>\$ 1,466,262</b>	<b>\$ 12,604,104</b>	<b>\$ -</b>	<b>(12,156,070)</b>	<b>(166,109)</b>	<b>(12,322,179)</b>
<b>General revenues</b>							
Sales tax					2,438,009	-	2,438,009
City of Poquoson					9,304,423	145,141	9,449,564
<b>Total general revenues</b>					<b>11,742,432</b>	<b>145,141</b>	<b>11,887,573</b>
<b>Change in net position</b>					<b>(413,638)</b>	<b>(20,968)</b>	<b>(434,606)</b>
<b>Net position (deficit), beginning of year</b>					<b>(10,732,882)</b>	<b>792,122</b>	<b>(9,940,760)</b>
<b>Net position (deficit), end of year</b>					<b>\$ (11,146,520)</b>	<b>\$ 771,154</b>	<b>\$ (10,375,366)</b>

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

**June 30, 2021**

---

**1. Summary of Significant Accounting Policies**

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

**Financial Reporting Entity**

The City, which was a part of York County for many years, became a town in 1952 and an independent city in 1975 upon referendum of the citizens. Certain municipal functions continue to be shared with York County including the Courts, Social Services, Sheriff's Department, and E-911 Center. The City is organized under the Council-Manager form of government. The Poquoson City Council is comprised of seven members who are elected by voters on a non-partisan basis and serve four-year staggered terms.

The reporting entity of the City has been determined in accordance with U.S. GAAP established by the Governmental Accounting Standards Board (GASB). As required by those principles, these financial statements present the City (Primary Government) and its discretely presented component units, the Poquoson City Public Schools (PCPS), and the Economic Development Authority (EDA).

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

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

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

The entities described in Note 14, Related Party Transactions, are excluded from the City's Annual Comprehensive Financial Report (ACFR) as the City does not have financial accountability over their activities.

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

### Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City uses an internal service fund to account for its fleet vehicles. Because this service predominantly benefits governmental, rather than business-type, functions the fleet fund has been included with governmental activities in the government-wide financial statements. Fiduciary funds are not included in the government-wide financial statements since they are used to report assets held in trust for others and, therefore, cannot be used to support the City's own programs.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary financial statements. The fiduciary 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 enterprise funds:

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

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

The City reports the following additional proprietary fund type:

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

## **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 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, 2021 for an increase in appropriations in the amount of \$3,312,276 for additional grant funding and other financing sources for the Primary Government General Fund.

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

#### *Component Unit – Poquoson City Public Schools*

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

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

### **Cash and Investments**

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

Investments consist of the State Treasurer's Local Government Investment Pool (LGIP), VML/VACo Virginia Investment Pool, federal government obligations, and the State Non-Arbitrage Program (SNAP). Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value.

## 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, 2021, the allowance approximated \$305,000 in the General Fund. All other receivables have experienced a high collection rate; therefore, an allowance for doubtful accounts has not been established by City management for other receivables.

### **Inventory**

Inventory in the Fleet Management Internal Service Fund consists of supplies held for future use and is valued at average cost (weighted average method). Inventory in the Schools' Special Revenue Fund consists principally of items held for resale and are valued at cost (first-in, first-out method). Inventory is recognized as expenditures when consumed.

### **Capital Assets**

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

Capital outlays of the proprietary funds and the EDA are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds' basis and the government-wide basis.

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

The estimated useful lives of capital assets are as follows:

Buildings	15 – 40 years
Building improvements	5 – 40 years
Infrastructure	20 – 50 years
Machinery and equipment	3 – 50 years
Land improvements	10 – 50 years
Sewer system	40 years

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

## **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 and proprietary fund Statements of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, change in the proportionate share of total pension and OPEB liabilities, actual economic experience that is different than estimated, differences in projected and actual earnings on plan investments, and contributions made subsequent to the measurement date. Deferred outflows of resources resulting from contributions made subsequent to the measurement date but before the end of the employer's reporting period will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants.

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources 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 and proprietary fund Statements of Net Position. Actuarial losses resulting from actual economic experience that is different than estimated, pension and OPEB trust investment returns that are lower than projected earnings, changes in actuarial assumptions for pension and OPEB programs, and changes in proportionate share of pension and OPEB liabilities are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants, with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

### **Unearned Revenues**

On June 25, 2021, the City received funding of \$6,365,683 from the American Rescue Plan Act (ARPA) of 2021 provided by the Federal Government to help address the public health emergency with respect to a novel strain of coronavirus (COVID-19). The funds were received as a pass-through from the Commonwealth of Virginia. None of the funds were used in fiscal year 2021 and the balances is reported as unearned revenues on the basic financial statements and will be recognized as revenue as earned in future periods to cover the cost for expenditures through the period of performance as defined by the grant agreement.

### **Compensated Absences**

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources, both the current and noncurrent portions, is accounted for as a liability in the government-wide financial statements and proprietary fund financial statements, and charged to the General Governmental Fund, Sewer Fund, Solid Waste Fund, and Internal Service Fund based upon employees' duties. 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 accrue compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences are recorded in their government-wide financial statements.

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

### **Fund Balances/Net Positions**

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

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

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

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

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

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

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

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

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

### **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.



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

### Concentration Risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.42% 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.

### New Accounting Pronouncements

#### *GASB 98: The Annual Comprehensive Financial Report*

Effective July 1, 2020, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

#### *GASB 84: Fiduciary Activities*

In January 2017, GASB Statement No. 84, *Fiduciary Activities* (Statement). The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) whether the government has administrative and/or direct financial involvement with the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The City has control but does not have administrative involvement in the Library Custodial Fund and has presented these operations as fiduciary activities in the financial statements. The City has restated the beginning balance for the Library Custodial Fund cash balance at June 30, 2020 on Exhibit I as follows:

Fiduciary Net Position at June 30, 2020	\$ -
Library Custodial Fund	17,655
Fiduciary Net Position, restated, at June 30, 2020	<u>\$ 17,655</u>

The City has both control and administrative involvement and has included the School Activity Funds as a Special Revenue Fund in the Schools' financial statements. The City has restated the Schools' beginning fund balance for the School Activity Fund cash balance at June 30, 2020, on Schedule 2 as follows:

Schools fund balance at June 30, 2020	\$ 800,023
School Activity Fund Cash	320,995
Schools fund balance, restated, at June 30, 2020	<u>\$ 1,121,018</u>

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

### **New Accounting Pronouncements** *(concluded)*

The City has restated the Component Unit beginning total net deficit at June 30, 2020, for the School Activity Fund cash balance at June 30, 2020, on Exhibit B as follows:

Component Unit Total Net Deficit at June 30, 2020	\$ (10,261,755)
School Activity Fund Cash	320,995
Component Unit Total Net Deficit, restated, at June 30, 2020	<u>\$ (9,940,760)</u>

The City has restated the Component Unit beginning total net deficit at June 30, 2020, for the School Activity Fund cash balance at June 30, 2020, on Exhibit K as follows:

Schools Total Net Deficit at June 30, 2020	\$ (11,053,877)
School Activity Fund Cash	320,995
Schools Total Net Deficit, restated, at June 30, 2020	<u>\$ (10,732,882)</u>

## 2. **Deposits and Investments**

### **Deposits**

Deposits with banks are collateralized in accordance with the Virginia Security for Public Deposits Act, 2.2-4400 et. seq. of the Code of Virginia (Act) or covered by the Federal Depository Insurance Corporation. Under this Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral equal to 50% of such deposits to a collateral pool (the Pool) in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

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

At June 30, 2021, 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.

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

### Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, and the Virginia Treasurer's LGIP, which is managed in accordance with the "2a-7 like pool" risk limiting requirements of U.S. GAAP with portfolio securities valued by the amortized cost method. The fair value of the LGIP is the same as the value of the pool shares. Investments with a maturity date of one year or less are stated at amortized cost. As of June 30, 2021, the City had \$14,094,641 invested in SNAP, which values portfolio securities by the amortized cost method in accordance with U.S. GAAP and periodically monitors the relationship between the amortized cost value per share and the net asset value (NAV) per share based upon available indications of market value and takes corrective action, if required, to minimize any dilution or other unfair results which might arise from differences between amortized cost and NAV. All other investments are stated at fair value.

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

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

### Investment Policy

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

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank Deposits	75% maximum
Repurchase Agreements	50% maximum
Bankers' Acceptances	40% maximum
Commercial Paper	20% maximum
Negotiable Certificates of Deposit / Bank Notes	20% maximum
Municipal Obligations	20% maximum
Corporate Notes	10% maximum

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

### **Investment Policy (Continued)**

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

#### *Short-Term Operating Funds*

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

#### *Core Portfolio*

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

#### *Bond Proceeds*

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

### **Credit Risk**

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

Although State Statute does not impose credit standards on repurchase agreement counterparties, bankers’ acceptances, or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk. The City’s investments held by an outside brokerage and investment banking firm are rated “AAA” by Standard & Poor’s and “Aa2” or enhanced “Aa1” by Moody’s Investors Service.

### **Concentration of Credit Risk**

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

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

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

### Interest Rate Risk

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

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

### Custodial Risk

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

As of June 30, 2021, 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	\$ 9,724,360	\$ 9,724,360	\$ -
VML/VACo Pooled OPEB Trust Fund	201,014	-	201,014
SNAP	14,094,641	-	14,094,641
Total investments	24,020,015	\$ 9,724,360	\$ 14,295,655
<i>Reconciliation to total cash and investments:</i>			
Add:			
Cash on hand and in banks	17,035,192		
Total cash and investments	41,055,207		
Less:			
Cash and investments held in fiduciary funds	292,476		
Total cash and investments, Exhibit A, Primary Government and Component Units	\$ 40,762,731		

### 3. Receivables

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Real estate taxes	\$ 488,883	\$ -	\$ 488,883
Personal property taxes	484,702	-	484,702
Accounts receivable	59,177	468,446	527,623
	1,032,762	468,446	1,501,208
Less allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables, net	\$ 727,762	\$ 468,446	\$ 1,196,208

### 4. Notes Receivable

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

##### Commonwealth of Virginia

Communications Sales and Use Tax	\$ 24,786
Compensation Board	19,829
Children's Services Act	19,715
Division of Motor Vehicles	14,039
Emergency Medical Services Grant	12,724
Meals Tax	84,962
PPTRA	884,118
Recordation Tax	33,909
Sales Tax	77,253
P2P and/or Gaming Fee	1,363
VDOT	272,876
School Resource Officer Grants	20,432
Total due from the Commonwealth of Virginia	<u>1,466,006</u>

**5. Due from Other Governments (concluded)**

**Primary Government (concluded)**

**Federal Government**

COVID-19 Cares Funds	26,371
DUI Grants - Selective Enforcement - Alcohol	1,400
DUI Grants - Selective Enforcement - Occupant Protection	1,750
FEMA COVID (Reflected \$10,195 in FY20)	13,594
Port Security Grants	25,860
Total due from the Federal government	<u>68,975</u>

Total due from other governments	<u><u>\$ 1,534,981</u></u>
----------------------------------	----------------------------

**Commonwealth of Virginia**

Sales Tax	\$ 215,551
Technology Reimbursement	90,018
Total due from the Commonwealth of Virginia	<u>305,569</u>

**Federal Government**

Department of Education Program	
Title VI-B	29,912
Various Grants	72,777
Total due from the Federal government	<u>102,689</u>

Total due from other governments	<u><u>\$ 408,258</u></u>
----------------------------------	--------------------------

**6. Receivables and Payables - Component Units**

Details of the receivables and payables between the Primary Government and component units at June 30, 2021 are as follows:

<b>Primary Government</b>	<b>Component Unit</b>	
<b>Receivable</b>	<b>Payable</b>	<b>Total</b>
Due from EDA	Due to Primary Government	\$ 1,647,904
Due from Schools	Due to Primary Government	1,131,984
Total		<u><u>\$ 2,779,888</u></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, 2020	Increase	Decrease	Balance June 30, 2021
Capital assets, non-depreciable				
Land	\$ 3,014,050	\$ 105,351	\$ -	\$ 3,119,401
Construction in progress	1,219,939	7,308,480	-	8,528,419
Total capital assets, non-depreciable	4,233,989	7,413,831	-	11,647,820
Capital assets, depreciable				
Buildings	10,581,070	64,594	-	10,645,664
Building improvements	504,665	-	-	504,665
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	4,597,850	-	-	4,597,850
Machinery and equipment	9,846,069	649,280	88,422	10,406,927
Total capital assets, depreciable	65,913,973	713,874	88,422	66,539,425
Less accumulated depreciation				
Buildings	6,284,063	318,362	-	6,602,425
Building improvements	178,337	42,914	-	221,251
Infrastructure	33,364,264	174,163	-	33,538,427
Land improvements	2,525,942	141,626	-	2,667,568
Machinery and equipment	6,562,959	511,053	85,484	6,988,528
Total accumulated depreciation	48,915,565	1,188,118	85,484	50,018,199
Total capital assets, depreciable, net before allocation from School Board	16,998,408	(474,244)	2,938	16,521,226
Allocation of School Board assets				
Buildings	23,318,792	-	-	23,318,792
Less accumulated depreciation				
Buildings	6,400,536	682,694	-	7,083,230
Total allocated from School Board	16,918,256	(682,694)	-	16,235,562
Total capital assets, depreciable	33,916,664	(1,156,938)	2,938	32,756,788
Total capital assets	\$ 38,150,653	\$ 6,256,893	\$ 2,938	\$ 44,404,608



**7. Capital Assets (Continued)**

Depreciation was charged to governmental functions as follows:

General government administration	\$ 142,055
Public safety	515,699
Public works	434,935
Parks, recreation, and cultural	94,841
Education	682,694
Internal Service Fund	589
	<u>\$ 1,870,813</u>

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

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021
Capital assets, non-depreciable				
Land	\$ 217,666	\$ -	\$ -	\$ 217,666
Total capital assets, non-depreciable	217,666	-	-	217,666
Capital assets, depreciable				
Buildings	132,572	-	-	132,572
Machinery and equipment	2,428,166	5,678	-	2,433,844
Sewer system	22,541,590	9,972	-	22,551,562
Total capital assets, depreciable	25,102,328	15,650	-	25,117,978
Less accumulated depreciation				
Buildings	28,438	7,716	-	36,154
Machinery and equipment	1,230,386	151,007	-	1,381,393
Sewer system	13,395,153	561,764	-	13,956,917
Total accumulated depreciation	14,653,977	720,487	-	15,374,464
Total capital assets, depreciable, net	10,448,351	(704,837)	-	9,743,514
Total	\$ 10,666,017	\$ (704,837)	\$ -	\$ 9,961,180

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

Sewer Fund	\$ 695,770
Solid Waste Fund	24,717
	<u>\$ 720,487</u>

**7. Capital Assets (Continued)**

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

	<b>Balance July 1, 2020</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2021</b>
Capital assets, non-depreciable				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Capital assets, depreciable				
Buildings and building improvements	36,647,445	312,703	183,930	36,776,218
Infrastructure	140,918	24,748	9,994	155,672
Land improvements	4,308,575	-	-	4,308,575
Machinery and equipment	3,443,934	313,448	122,689	3,634,693
Total capital assets, depreciable	44,540,872	650,899	316,613	44,875,158
Less accumulated depreciation				
Buildings and building improvements	14,540,047	778,921	66,461	15,252,507
Infrastructure	25,781	6,248	1,223	30,806
Land improvements	2,620,605	179,578	-	2,800,183
Machinery and equipment	2,397,320	240,500	122,689	2,515,131
Total accumulated depreciation	19,583,753	1,205,247	190,373	20,598,627
Capital assets, depreciable, net, before allocation to City	24,957,119	(554,348)	126,240	24,276,531
Allocation to City				
Buildings	23,318,792	-	-	23,318,792
Less accumulated depreciation	6,400,536	682,694	-	7,083,230
Total allocated to City	16,918,256	(682,694)	-	16,235,562
Total capital assets, depreciable, net	8,038,863	128,346	126,240	8,040,969
Total	\$ 8,489,739	\$ 128,346	\$ 126,240	\$ 8,491,845

**7. Capital Assets (Concluded)**

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

	<b>Balance July 1, 2020</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2021</b>
Capital assets, non-depreciable				
Land	\$ 2,330,945	\$ -	\$ -	\$ 2,330,945
Capital assets, depreciable				
Infrastructure	315,273	-	-	315,273
Total capital assets, depreciable	315,273	-	-	315,273
Less accumulated depreciation				
Infrastructure	243,625	14,331	-	257,956
Total accumulated depreciation	243,625	14,331	-	257,956
Total capital assets, depreciable, net	71,648	(14,331)	-	57,317
Total	\$ 2,402,593	\$ (14,331)	\$ -	\$ 2,388,262

## 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 July 1, 2020			Balance June 30, 2021	Amounts Due Within One Year
		Increase	Decrease		
General obligation bonds	\$ 35,532,585	\$ 6,341,000	\$ 4,652,588	\$ 37,220,997	\$ 2,280,000
Unamortized premium	3,413,386	-	808,991	2,604,395	329,393
	38,945,971	6,341,000	5,461,579	39,825,392	2,609,393
Capital lease obligations	187,584	-	95,446	92,138	63,036
	39,133,555	6,341,000	5,557,025	39,917,530	2,672,429
Net pension liability	2,870,117	2,865,594	-	5,735,711	-
Net OPEB liability - Local Plan	2,039,912	54,980	-	2,094,892	-
Net OPEB liability - State Programs	662,376	16,491	-	678,867	-
Accrued compensated absences	691,957	497,712	533,534	656,135	65,751
Total	\$ 45,397,917	\$ 9,775,777	\$ 6,090,559	\$ 49,083,135	\$ 2,738,180

### Component Unit - Schools

Net pension liability	\$ 18,904,801	\$ 1,930,671	\$ -	\$ 20,835,472	\$ -
Net OPEB liability - Local Plan	207,922	9,749	-	217,671	-
Net OPEB liability - State Programs	2,926,633	-	15,399	2,911,234	-
Accrued compensated absences	401,276	661,046	630,358	431,963	90,712
Total	\$ 22,440,632	\$ 2,601,466	\$ 645,757	\$ 24,396,340	\$ 90,712

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).

On July 2, 2020, the City issued \$1,385,000 principal amount of General Obligation Refunding Bonds Series 2020A with a true interest cost of 1.51%. Net proceeds of \$1,332,579 were used to advance refund \$1,250,000 of the City's 2012A Series Refunding with average interest rate of 5%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the City's financial statements. The advance refunding resulted in the recognition of an accounting gain of \$260,600 for the year ended June 30, 2021. The Authority in effect reduced its aggregate debts service payment by approximately \$144,583 over the next 8 years and obtained an economic gain of approximately \$60,068.

At June 30, 2021, the City had \$550,000 of defeased debt outstanding.

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

**Governmental Activities (Continued)**

On July 2, 2020, the City issued \$1,434,000 principal amount of General Obligation Refunding Bonds Series 2020B with a true interest cost of 1.51%. Net proceeds of \$1,380,356 were used to refund City's 2013 General Obligation Bond with an average interest rate of 2.23%. The reacquisition price exceeded the net carrying amount of the 2013 General Obligation Bond by \$66,413. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issuance. The refunding decreased the City's total debt service payment by approximately \$44,475 and resulted in an economic gain of approximately \$101.

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

<b>General Obligation Refunding Bonds, Series 2012</b> - \$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%.	\$ 429,997
<b>General Obligation Bonds, Series 2016</b> - \$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%.	12,810,000
<b>General Obligation Bonds, Series 2018</b> - \$18,070,000 bonds issued and due in annual installments varying from \$100,000 to \$1,565,000 beginning February 2020 through February 2040, with interest payable semi-annually at rates from 3% to 5%.	17,870,000
<b>General Obligation Refunding Bonds, Series 2020A</b> - \$1,385,000 bonds issued and due in annual installments varying from \$41,000 to \$725,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	1,272,000
<b>General Obligation Refunding Bonds, Series 2020B</b> - \$1,434,000 bonds issued and due in annual installments varying from \$42,000 to \$752,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	1,317,000
<b>General Obligation Bonds, Series 2021A</b> - \$3,522,000 bonds issued and due in annual installments varying from \$169,915 to \$346,000 beginning June 2022 through February 2036, with interest payable semi-annually at rates from 3% to 5%.	3,522,000
	<u>\$ 37,220,997</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 Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,280,000	\$ 1,281,512
2023	2,406,000	1,163,742
2024	2,507,000	1,044,484
2025	2,622,999	923,987
2026	2,745,998	797,150
2027-2031	10,625,000	2,728,581
2032-2036	8,054,000	1,612,130
2037-2040	5,980,000	507,038
	<u>\$ 37,220,997</u>	<u>\$ 10,058,624</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, 2021, accumulated depreciation under this lease totaled \$48,560. The balance of this lease as of June 30, 2021 was \$-0-. 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, 2021, accumulated depreciation under this lease totaled \$58,450. The balance of this lease was \$34,547 as of June 30, 2021. 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, 2021, accumulated depreciation under these leases totaled \$86,668. The combined balance of these leases was \$57,590 as of June 30, 2021. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2022	\$ 64,265
2023	28,489
2024	613
Total minimum lease payments	93,367
Less imputed interest	(1,229)
	92,138
Less current portion	(63,036)
Long-term portion	<u>\$ 29,102</u>

### Debt Limit

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. As of June 30, 2021, the City's aggregate general obligation indebtedness was \$138,483,214 less than the allowable limit.

### Overlapping Debt

There are no overlapping or underlying tax jurisdictions.

## 8. Long-term Obligations (Continued)

### Business-type Activities

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

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Amounts Due Within One Year
General obligation bonds	\$ 4,935,002	\$ 3,983,000	\$ 4,370,000	\$ 4,548,002	\$ 606,000
Unamortized premium	318,856	-	273,472	45,384	49,356
	5,253,858	3,983,000	4,643,472	4,593,386	655,356
Net pension liability	109,965	103,057	-	213,022	-
Net OPEB liability - Local Plan	76,179	1,624	-	77,803	-
Net OPEB liability - State Programs	27,051	-	1,838	25,213	-
Accrued compensated absences	21,722	20,119	18,847	22,994	2,300
Total	\$ 5,488,775	\$ 4,107,800	\$ 4,664,157	\$ 4,932,418	\$ 657,656

On March 18, 2021, the City issued \$3,983,000 principal amount of General Obligation Refunding Bonds Series 2021B with a true interest cost of 1.228298%. Net proceeds of \$3,942,770 were used to advance refund \$3,961,958 of the City's 2012 Series Refunding Bonds with interest rates ranging from 2.2 to 5.2%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the City's financial statements. The advance refunding resulted in the recognition of an accounting gain of \$202,820 for the year ended June 30, 2021. The Authority in effect reduced its aggregate debts service payment by approximately \$158,664 over the next 8 years and obtained an economic gain of approximately \$152,198.

At June 30, 2021, the City had \$3,830,000 of defeased debt outstanding.

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

<b>General Obligation Refunding Sewer Bonds, Series 2010</b> - \$740,000 bonds issued and due in annual principal installments varying from \$10,000 to \$80,000 through April 2022 with interest payable semi-annually at rates varying from 2.2% to 5.2%.	\$ 80,002
<b>General Obligation Refunding Sewer Bonds, Series 2012</b> - \$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%.	485,000
<b>General Obligation Refunding Sewer Bonds, Series 2021B</b> - \$3,983,000 bonds issued and due in annual installments varying from \$91,888 to \$687,671 through June 2028, with interest payable semi-annually at 3%.	3,983,000
	<u>\$ 4,548,002</u>

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

**Business-type Activities (Concluded)**

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 606,000	\$ 98,213
2023	636,000	161,416
2024	645,000	106,211
2025	655,000	110,300
2026	664,000	23,671
2027-2028	1,342,002	121,050
	<u>\$ 4,548,002</u>	<u>\$ 620,861</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, 2021. The EDA has agreed to pay interest and principal when due, and will pay a minimum of 50% of the proceeds of any sale of property towards principal until the debt is paid in full.

**10. Conduit Debt Obligation**

On September 12, 2005, the EDA issued \$5,000,000 YMCA Revenue Bonds to finance the acquisition and construction of the Peninsula Metropolitan YMCA (YMCA). On December 29, 2015, the EDA issued \$9,180,000 Beth Sholom Revenue and Refunding Bonds for the construction and equipping of a renovation project with Beth Sholom Life Care Community Campus owned by Beth Sholom. The costs of financing the projects, all expenses of issuing the bonds, and the payments of bond principals and interest, are the responsibility of the YMCA and Beth Sholom, respectively. The bonds provide that neither the EDA nor the City shall be obligated to pay the bonds or interest thereon or other costs incident thereto. At June 30, 2021, the remaining outstanding balance of these bonds totaled \$9,925,128.

**11. Fund Balances**

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

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



## 11. Fund Balances (continued)

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

	General	Debt Service	Capital Project	Total Governmental Funds
<b>Nonspendable</b>				
EDA note receivable	\$ 1,647,904	\$ -	\$ -	\$ 1,647,904
<b>Total nonspendable</b>	1,647,904	-	-	1,647,904
<b>Restricted</b>				
Education	1,114,713	-	-	1,114,713
Asset forfeiture	3,502	-	-	3,502
Police - National Night Out	940	-	-	940
Police - Recruitment and Retention	16,138	-	-	16,138
4 For Life	20,866	-	-	20,866
Fire Fund	22,243	-	-	22,243
Library donations	9,902	-	-	9,902
Street lights	13,000	-	-	13,000
Wetland Creation	29,004	-	-	29,004
CDBG Program revenues	78,623	-	-	78,623
Chesapeake Bay	1,700	-	-	1,700
Capital projects	-	-	13,896,824	13,896,824
<b>Total restricted</b>	1,310,631	-	13,896,824	15,207,455
<b>Committed</b>				
Revenue stabilization	1,000,000	-	-	1,000,000
<b>Total committed</b>	1,000,000	-	-	1,000,000
<b>Assigned</b>				
Health and welfare	2,043	-	-	2,043
Public safety and judicial	42,872	-	-	42,872
Public works	50,811	-	-	50,811
Debt service	-	1,093,207	-	1,093,207
Capital projects	-	-	251,623	251,623
Subsequent year budget transfers				
Capital Projects Fund	238,000	-	-	238,000
OPEB Trust Fund	104,388	-	-	104,388
EDA Fund	21,000	-	-	21,000
<b>Total assigned</b>	459,114	1,093,207	251,623	1,803,944
<b>Unassigned</b>	7,446,695	-	-	7,446,695
<b>Total fund balances</b>	\$ 11,864,344	\$ 1,093,207	\$ 14,148,447	\$ 27,105,998

## 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, 2021:

<b>Description</b>	<b>Amount</b>
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.

<b>Description</b>	<b>Amount</b>
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 (Concluded)

### *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, 2021, the City's General Fund had outstanding encumbrances of \$95,725 and the Component Unit - Schools' General Fund had outstanding encumbrances of \$161,294.

### *Economic Uncertainty*

During 2020, an outbreak of a COVID-19 emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the City's revenues and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

## 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2021 are as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 536,900	\$ 4,039,323
Debt Service Fund	3,795,082	446,900
Capital Projects Fund	387,241	-
Fleet Fund	2,000	-
Sewer Operations Fund	-	200,000
Solid Waste Fund	15,000	50,000
	<u>\$ 4,736,223</u>	<u>\$ 4,736,223</u>

### Purpose:

\$3,795,082 From General Fund to Debt Service Fund for current year debt payments.  
\$ 286,900 From Debt Service Fund to General Fund for final payment on Fiscal Stability Reserve.  
\$ 227,241 From General Fund to Capital Projects Fund to fund capital projects.  
\$ 160,000 From Debt Service Fund to Capital Projects Fund to fund capital projects.  
\$ 200,000 From Sewer Operations Fund to General Fund to finance general government expenditures.  
\$ 50,000 From Solid Waste Fund to General Fund to finance general government expenditures.  
\$ 15,000 From General Fund to Solid Waste to for fund operations support.  
\$ 2,000 From General Fund to Fleet Fund for fund operations support.

## 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, 2021, the City provided support or paid for services to HRPDC of \$23,575, VPPSA of \$469,957, PCWD of \$5,847, and CBH of \$190,000.

**14. Related Party Transactions *(Concluded)***

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2021, the City incurred expenses for the regional jail and juvenile detention center of \$260,866 and \$34,212, respectively.

The City also participates in a regional animal shelter, Newport News Animal Services, and regional animal control services, Newport News Animal Control, with several other localities. The City paid \$88,071 for its share in fiscal year 2021.

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, 2021, the City paid \$1,155,833 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, 2021, the City paid \$90,549 to Hampton for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2021, the Schools provided support of \$562,584 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:

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About VRS Plan 1</b> VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p><b>About VRS Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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 Plan 1 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>Non-Eligible Members*</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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><b>Retirement Contributions</b> Employees contribute up to 5% of their compensation each month to their member contribution account through a pretax 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><b>Retirement Contributions</b> Same as VRS Plan 1.</p>	<p><b>Retirement Contributions</b> 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><b>Service Credit</b> Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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><b>Service Credit</b> Same as VRS Plan 1.</p>	<p><b>Service Credit</b> <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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><i>Defined Contributions Component:</i> Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b> 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><b>Vesting</b> Same as VRS Plan 1.</p>	<p><b>Vesting</b> <i>Defined Benefit Component:</i> 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that 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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> </ul>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		<ul style="list-style-type: none"> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distributions not required, except as governed by law.</p>
<b>Calculating the Benefit</b> The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	<b>Calculating the Benefit</b> See definition under VRS Plan 1.	<b>Calculating the Benefit</b> <i>Defined Benefit Component:</i> See definition under VRS Plan 1.  <i>Defined Contribution Component:</i> 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.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as VRS Plan 2. It's used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> 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%.	<b>Service Retirement Multiplier</b> 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.	<b>Service Retirement Multiplier</b> <i>Defined Benefit Component:</i> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
<b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	<b>Sheriffs and regional jail superintendents:</b> Same as VRS Plan 1.	<b>Sheriffs and regional jail superintendents:</b> Not applicable.
<b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	<b>Political subdivision hazardous duty employees:</b> Same as VRS Plan 1.	<b>Political subdivision hazardous duty employees:</b> Not applicable.  <u><b>Defined Contribution Component:</b></u> Not applicable.



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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><i>Eligibility:</i>  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><i>Exceptions to COLA Effective Dates:</i>  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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> <li>• 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.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><i>Eligibility:</i>  Same as VRS Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i>  Same as VRS Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <i>Defined Benefit Component:</i>  Same as VRS Plan 2.</p> <p><i>Defined Contribution Component:</i>  Not applicable.</p> <p><i>Eligibility:</i>  Same as VRS Plan 1 and VRS Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i>  Same as VRS Plan 1 and VRS Plan 2.</p>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
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.		
<b>Disability Coverage</b> 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.	<b>Disability Coverage</b> 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.	<b>Disability Coverage</b> 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.  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.
<b>Purchase of Prior Service</b> 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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as VRS Plan 1.	<b>Purchase of Prior Service</b> <i>Defined Benefit Component:</i> Same as VRS Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service.  <i>Defined Contribution Component:</i> Not applicable.

VRS issues a publicly available Comprehensive Annual Financial Report 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>	
	<b>Primary Government*</b>	<b>Component Unit - Schools*</b>
Inactive members or their beneficiaries currently receiving benefits	79	28
Inactive members		
Vested	22	10
Nonvested	33	6
Active elsewhere in VRS	38	5
Total inactive members	93	21
Active members	129	25
Total covered employees	301	74

\* 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 because 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.

**Agent Multiple-Employer Plans**

The City's contractually required contribution rate for the year ended June 30, 2021 was 13.55% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$895,472 and \$700,809 for the years ended June 30, 2021 and 2020, respectively.

The Schools' contractually required contribution rate for the year ended June 30, 2021 was 9.57% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$49,416 and \$47,566 for the years ended June 30, 2021 and 2020, respectively.

**15. Retirement Plan (Continued)**

**C. Contributions (Continued)**

**Teachers' Cost-Sharing Plan**

The Schools' contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2021. 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, 2019. Contributions to the pension plan from the Schools were \$1,999,831 and \$1,910,852 for the years ended June 30, 2021 and 2020, respectively.

**D. Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with U.S. GAAP, less the employer's fiduciary net position.

**Agent Multiple-Employer Plans**

The City and Schools' net pension liability, measured as of June 30, 2019, was \$5,948,733 and \$400,674, respectively, as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

**Teachers' Cost-Sharing Plan**

At June 30, 2020, the Schools reported a liability of \$20,434,798 for its proportionate share of the state-wide plan's net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Schools' proportion was 0.14042% as compared to 0.14177% at June 30, 2020.

## 15. Retirement Plan (Continued)

### E. Actuarial Assumptions

The total pension liability for the plans were based on an actuarial valuations as of June 30, 2018, 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, 2019.

	General Employees	Public Safety	Teacher Plan
<b>Assumptions used in calculations:</b>			
Investment rate of return*	6.75%	6.75%	6.75%
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
<b>Mortality tables:</b>			
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.
<b>Changes of assumptions:</b>			
The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	- 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 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 18%. Decreased discount rate from 7.00% to 6.75%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 rates, and lowered rates at older ages. Adjusted 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%. Decreased discount rate from 7.00% to 6.75%.	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. Decreased discount rate from 7.00% to 6.75%.

\* 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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:

<b>Assets Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

- \* The above allocation provides a one-year return of 7.14%. 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 VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

**15. Retirement Plan (Continued)**

**G. Discount Rate**

**Agent Multiple-Employer Plans**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that VRS member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 forward, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Teachers' Cost-Sharing Plan**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Schools' 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 ended June 30, 2019, 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, 2019 forward, the Schools is assumed to contribute 100% of the actuarially determined contribution rates from the June 30, 2017 actuarial valuation. 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 (Continued)**

The following tables represent the changes in net pension liability through the plan's measurement date of June 30, 2020 for the City and Schools, respectively.

<b>City Pension Plan</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance, July 1, 2019	\$ 35,203,027	\$ 32,222,945	\$ 2,980,082
Changes for the year			
Service cost	931,547	-	931,547
Interest	2,321,430	-	2,321,430
Difference between expected and actual experience	1,314,714	-	1,314,714
Contributions - employer	-	679,011	(679,011)
Contributions - employee	-	327,995	(327,995)
Net investment income	-	613,743	(613,743)
Benefit payments, including refunds of employee contributions	(1,622,933)	(1,622,933)	-
Administrative expense	-	(20,983)	20,983
Other changes	-	(726)	726
Net changes	2,944,758	(23,893)	2,968,651
Balance, June 30, 2020	\$ 38,147,785	\$ 32,199,052	\$ 5,948,733

<b>Schools' Pension Plan (excluded Teachers' Cost-Sharing Plan)</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance, July 1, 2019	\$ 2,416,205	\$ 2,169,142	\$ 247,063
Changes for the year			
Service cost	48,576	-	48,576
Interest	157,916	-	157,916
Difference between expected and actual experience	52,913	-	52,913
Contributions - employer	-	40,959	(40,959)
Contributions - employee	-	25,398	(25,398)
Net investment income	-	40,927	(40,927)
Benefit payments, including refunds of employee contributions	(153,418)	(153,418)	-
Administrative expense	-	(1,442)	1,442
Other changes	-	(48)	48
Net changes	105,987	(47,624)	153,611
Balance, June 30, 2020	\$ 2,522,192	\$ 2,121,518	\$ 400,674

**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.

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
City's calculated net pension liability	\$ 10,677,375	\$ 5,948,733	\$ 2,008,108
Schools' calculated net pension liability	\$ 644,025	\$ 400,674	\$ 193,360
Teacher Employee Plan's calculated net pension liability	\$ 29,982,438	\$ 20,434,798	\$ 12,537,692

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

Pension expense recognized for the year ended June 30, 2021, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2021, were as follows:

	<b>Primary Government</b>		<b>Component Unit - Schools</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Agent Multiple Plan</b>	<b>Teachers' Cost- Sharing Plan</b>
<b>Pension expense</b>	\$ 678,304	\$ 25,192	\$ 99,774	\$ 2,143,804
<b>Deferred Outflows</b>				
Change of assumptions	\$ 417,554	\$ 15,508	\$ 6,375	\$ 1,394,931
Net difference between projected and actual earnings on pension plan	925,987	34,391	63,755	1,554,293
Deferred change in proportionate share of contributions	-	-	-	32,332
Difference between expected and actual experience	1,050,623	39,020	28,187	-
Employer contributions subsequent to the measurement date	871,157	24,315	49,416	1,999,831
<b>Total Deferred Outflows</b>	\$ 3,265,322	\$ 113,233	\$ 147,733	\$ 4,981,387
<b>Deferred Inflows</b>				
Difference between expected and actual experience	\$ -	\$ -	\$ (658)	\$ (1,197,794)
Deferred change in proportionate share of contributions	-	-	-	(478,221)
<b>Total Deferred Inflows</b>	\$ -	\$ -	\$ (658)	\$ (1,676,015)

**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, 2022. Other amounts reported in the deferred (inflows) outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities	Component Unit - Schools	
			Agent Multiple Plan	Teachers' Cost- Sharing Plan
2022	\$ 756,706	\$ 28,104	\$ 31,385	\$ (117,807)
2023	812,336	30,170	23,809	408,133
2024	528,192	19,617	21,964	572,262
2025	296,930	11,028	20,501	474,308
2026	-	-	-	(31,355)
	\$ 2,394,165	\$ 88,918	\$ 97,659	\$ 1,305,541

**K. Payables to the Pension Plan**

At June 30, 2021, the City and Schools reported payables of \$109,328 and \$-0-, respectively, for the outstanding amount of contributions to the pension.

**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 annual report 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.

*Actuarial Assumptions*

The total GLI and HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

	General Employees	Public Safety	Teacher Plan
<b>Assumptions used in calculations:</b>			
Investment rate of return*	6.75%	6.75%	6.75%
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
<b>Mortality tables:</b>			
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.
<b>Changes of assumptions:</b>			
The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and extended final retirement from 70 to 75. Adjusted termination 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%.  Discount rate decreased from 7.00% to 6.75%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 retirement rates and lowered rates at older ages. Adjusted termination rates to better fit experience at each age and service year. Adjusted disability rates to better match experience.  No change to salary scale.  Decreased Line of Duty Disability rate from 60% to 45%.  Discount rate decreased from 7.00% to 6.75%.	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. Adjusted disability rates to better match experience.  No change to salary scale.  Discount rate decreased from 7.00% to 6.75%.

- \* 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 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 VRS'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:

<b>Assets Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

\* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

### **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:

<b>GLI PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></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"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <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><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit.</li> <li>• <i>Other Benefit Provisions:</i> 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"> <li>◦ Accidental dismemberment benefit</li> <li>◦ Safety belt benefit</li> <li>◦ Repatriation benefit</li> <li>◦ Felonious assault benefit</li> <li>◦ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></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><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.</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 Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$35,178 and \$35,077 for the years ended June 30, 2021 and 2020, respectively. Contributions to the GLI from the Schools for the general employee's plan were \$2,788 and \$2,983 for the years ended June 30, 2021 and 2020, respectively. Contributions to the GLI from the Schools for the teacher's cost-sharing plan were \$64,977 and \$63,370 for the years ended June 30, 2021 and 2020, respectively.

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

**Political Subdivision Plans**

At June 30, 2021, the City and Schools reported a liability of \$547,045 and \$46,651, respectively, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the City's proportion was 0.03278% as compared to 0.03261% at June 30, 2019. At June 30, 2020, the Schools' proportion was 0.00279% as compared to 0.00274% at June 30, 2019.

**Teachers' Cost-Sharing Plan**

At June 30, 2021, the Schools reported a liability of \$988,118 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Schools' proportion was 0.05921% as compared to 0.06022% at June 30, 2019.

**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, 2021, the City recognized GLI OPEB expense of \$11,995. For the year ended June 30, 2021, the Schools recognized total GLI OPEB expense of \$33,378 relating to the general employee's and teachers' cost-sharing plans. 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, 2021, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Primary Government</b>		<b>Component Unit - Schools</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Political Subdivision Plan</b>	<b>Teachers' Cost-Sharing Plan</b>
<b>Deferred Outflows</b>				
Net difference between projected and actual earnings on OPEB plan investments	\$ 15,844	\$ 589	\$ 1,399	\$ 29,682
Difference between expected and actual experience	33,831	1,257	2,986	63,379
Change of assumptions	26,380	979	2,329	49,417
Deferred change in proportionate share of contributions	8,460	314	638	1,652
Employer contributions subsequent to the measurement date	33,821	1,357	2,788	64,977
<b>Total Deferred Outflows</b>	<b>\$ 118,336</b>	<b>\$ 4,496</b>	<b>\$ 10,140</b>	<b>\$ 209,107</b>
<b>Deferred Inflows</b>				
Difference between expected and actual experience	\$ (4,738)	\$ (176)	\$ (419)	\$ (8,875)
Change of assumptions	(11,014)	(409)	(972)	(20,632)
Deferred change in proportionate share of contributions	(3,175)	(118)	(326)	(32,451)
<b>Total Deferred Inflows</b>	<b>\$ (18,927)</b>	<b>\$ (703)</b>	<b>\$ (1,717)</b>	<b>\$ (61,958)</b>



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

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

\$35,178 and \$67,765 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's and Schools' contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2022. 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:

Years Ending June 30,	Governmental Activities	Business-type Activities	Component Unit - Schools	
			Political Subdivision Plan	Teachers' Cost-Sharing Plan
2022	\$ 10,644	\$ 395	\$ 797	\$ 8,709
2023	15,118	562	1,192	17,091
2024	17,769	660	1,552	24,372
2025	17,118	636	1,568	26,942
2026	4,544	169	471	5,062
Thereafter	395	14	55	(4)
Total	<u>\$ 65,588</u>	<u>\$ 2,436</u>	<u>\$ 5,635</u>	<u>\$ 82,172</u>

**D. Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employer's Net GLI OPEB Liability	<u>\$ 1,627,266</u>

Plan Fiduciary Net Position as a Percentage of the

Total GLI OPEB Liability 52.00%

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 the requirements of U.S. GAAP in VRS's notes to the financial statements and required supplementary information.

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

**D. Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the 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, 2020 on, employers are assumed to continue 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.

**E. 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
City's GLI OPEB Liability	\$ 719,132	\$ 547,045	\$ 407,294
Schools' GLI OPEB Liability	\$ 61,208	\$ 46,561	\$ 34,666
Teacher Employee Plan's GLI OPEB Liability	\$ 1,298,957	\$ 988,118	\$ 735,688

**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 – VRS Programs (Continued)**

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

<b>POLITICAL SUBDIVISION HIC PLAN PROVISIONS</b>	<b>TEACHER EMPLOYEE HIC PLAN PROVISIONS</b>
<p><b>Eligible Employees</b> The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and 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"> <li>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li> </ul>	<p><b>Eligible Employees</b> 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"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b> The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <i>At Retirement:</i> 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.</li> <li>• <i>Disability Retirement:</i> 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.</li> </ul>	<p><b>Benefit Amounts</b> The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <i>At Retirement:</i> For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> <li>• <i>Disability Retirement:</i> 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"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul> </li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• 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.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>	<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

**16. Other Postemployment Benefits – 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, 2021 was 0.27% and 1.05%, 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, 2019. 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 \$16,884 for the years ended June 30, 2021 and 2020. Contributions from the Schools to the Political Subdivision HIC for non-professional employees were \$5,442 and \$4,992 for the years ended June 30, 2021 and 2020, 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, 2021 was 1.21% 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, 2019. 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 \$145,596 and \$146,238 for the years ended June 30, 2021 and 2020, respectively.

**C. Net HIC OPEB Liabilities**

**Political Subdivision Plan**

At June 30, 2021, the City and Schools reported a liability of \$157,035 and \$63,146, respectively, for their proportionate share of the VRS Political Subdivision HIC net OPEB liability. The City and Schools' net OPEB liability was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

**Teachers' Cost-Sharing Plan**

At June 30, 2021, the Schools reported a liability of \$1,813,409 for its proportionate share of the VRS Teacher HIC net OPEB liability. The net Teacher Employee Health Insurance Credit Program OPEB liability was measured as of June 30, 2020 and the total Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the net Teacher Employee Health Insurance Credit Program OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The Schools' proportion of the net Teacher Employee HIC OPEB liability was based on the Schools' actuarially determined employer contributions to the Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Schools' proportion of the Teacher HIC net OPEB liability was 0.13901% as compared to 0.14075% at June 30, 2019.

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

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

For the year ended June 30, 2021, the City recognized HIC OPEB expense of \$1,874. For the year ended June 30, 2021, the Schools recognized total HIC OPEB expense of \$144,826 relating to the general employee's and teachers' cost-sharing plans. Since there was a change in proportionate share and a change of assumptions between measurement dates a portion of the Teacher Employee HIC net OPEB expense was related to deferred amounts from changes in proportion and assumptions.

At June 30, 2021, the City and Schools reported deferred inflows of resources and deferred outflows of resources related to the Teacher Employee HIC OPEB from the following sources:

	Primary Government		Component Unit - Schools	
	Governmental Activities	Business-type Activities	Political Subdivision Plan	Teachers' Cost-Sharing Plan
<b>Deferred Outflows</b>				
Net difference between projected and actual earnings on OPEB plan investments	\$ 4,933	\$ 183	\$ 300	\$ 8,036
Difference between expected and actual experience	13,049	485	2,124	-
Change of assumptions	4,809	179	617	35,849
Employer contributions subsequent to the measurement date	16,280	605	5,422	145,596
<b>Total Deferred Outflows</b>	<b>\$ 39,071</b>	<b>\$ 1,452</b>	<b>\$ 8,463</b>	<b>\$ 189,481</b>
<b>Deferred Inflows</b>				
Difference between expected and actual experience	\$ (8,483)	\$ (315)	\$ (745)	\$ (24,218)
Change of assumptions	(4,202)	(156)	-	(9,908)
Deferred change in proportionate share of contributions	-	-	-	(59,482)
<b>Total Deferred Inflows</b>	<b>\$ (12,685)</b>	<b>\$ (471)</b>	<b>\$ (745)</b>	<b>\$ (93,608)</b>

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

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

\$16,885 and \$151,018 reported as deferred outflows of resources related to the City's 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, 2022. 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,	Governmental Activities	Business-type Activities	Component Unit - Schools	
			Political Subdivision	Teachers' Cost-Sharing
			Plan	Plan
2022	\$ 1,287	\$ 48	\$ 796	\$ (9,942)
2023	2,396	89	787	(9,145)
2024	3,208	119	628	(9,412)
2025	4,036	150	85	(8,599)
2026	(374)	(14)	-	(6,273)
Thereafter	(447)	(16)	-	(6,352)
Total	\$ 10,106	\$ 376	\$ 2,296	\$ (49,723)

**HIC Program OPEB Liability**

The 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, 2020, NOL amounts for the Political Subdivision and Teacher Employee HIC are as follows (amounts expressed in thousands):

	Political Subdivision HIC OPEB Program	Teachers' Employee HIC OPEB Program
Total HIC OPEB Liability	\$ 42,677	\$ 1,438,113
Plan Fiduciary Net Position	24,468	129,015
Employer's Net HIC OPEB Liability	\$ 18,209	\$ 1,309,098

Plan Fiduciary Net Position as a Percentage of the

Total HIC OPEB Liability	57.33%	8.97%
--------------------------	--------	-------

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.

## 16. Other Postemployment Benefits – VRS Programs (Concluded)

### D. Discount Rate

The discount rate used to measure the total Political Subdivision and Teacher Employee HIC OPEB was 6.75%. 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, 2020, 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, 2020 forward, 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.

### E. Sensitivity of the City's 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's and Schools' proportionate share of the net HIC OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's HIC calculated OPEB Liability	\$ 189,212	\$ 157,035	\$ 129,553
Schools' HIC calculated OPEB Liability	\$ 69,047	\$ 63,146	\$ 57,995
Teachers' HIC calculated OPEB liability	\$ 2,029,922	\$ 1,813,409	\$ 1,629,388

## 17. Other Postemployment Benefits – 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 five years) equal to 70. For the Schools, no assets are accumulated in a trust that meets U.S. GAAP criteria.

In accordance with Article 8, Chapter 15, Title 15.2 of the Code of Virginia, the City has elected to establish a pooled trust for the purpose of accumulating and investing assets to fund other postemployment benefits. The City, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund (Trust Fund), an irrevocable trust, with the purpose to fund other postemployment benefits. The Trust Fund issues separate financial statements, which can be obtained by requesting a copy from the Plan Administrator, VML/VACo Finance, 8 E. Canal Street, Richmond, Virginia 23219.

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

**B. Plan Membership**

At June 30, 2021, the following employees were covered by the benefit terms:

	<b>Primary Government</b>	<b>Component Unit - Schools</b>
Total active employees with coverage	128	272
Total retirees receiving benefit payments	20	6
	<u>148</u>	<u>279</u>

**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, 2021, six 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% to 100% of the premiums based on the retiree's years of continuous healthcare coverage and the healthcare option selected by the retirees. The required employer contributions are financed based on a pay-as-you-go basis. In addition to ensuring current benefits are financed by current contributions, the City provides for funding to be made to the Virginia Pooled OPEB Trust as described in Note 2. The actuarially determined contribution for the City and Schools at June 30, 2021 was \$88,142 and \$15,114, respectively.

**E. Net OPEB Liability**

The City's and School's net OPEB Liability was determined based on an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.



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

**F. Actuarial Methods and Assumptions**

The total OPEB liability as of June 30, 2021 from the June 30, 2021 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
<b>Assumptions used in calculations:</b>			
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:	4.70%	4.70%	4.70%
<b>Mortality tables:</b>			
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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study on behalf of the VRS for the four-year period ended June 30, 2016.

**G. Discount Rate**

The discount rate used to measure the total OPEB liability was 2.00% 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, 2021. The basis used to set the discount rate assumed that contributions from the City will be made at rates equal to the contractually required contribution rates. Based on those assumptions, the OPEB Trust Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current members.

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

**H. Changes in the Net OPEB Liability**

		<b>Increase (Decrease)</b>		
		<b>Total</b>	<b>Plan</b>	<b>Net</b>
		<b>OPEB</b>	<b>Fiduciary</b>	<b>OPEB</b>
		<b>Liability</b>	<b>Net Position</b>	<b>Liability</b>
<b>City OPEB Trust</b>				
Balance, July 1, 2020		\$ 2,329,373	\$ 213,282	\$ 2,116,091
Changes for the year:				
Service cost		98,205	-	98,205
Interest		54,480	-	54,480
Difference between expected and actual experience		8,469	-	8,469
Change in assumptions		69,040	-	69,040
Contributions - employer		-	88,142	(88,142)
Contributions - employee		-	112,994	(112,994)
Net investment income		-	32,318	(32,318)
Benefit payments		(126,272)	(186,136)	59,864
Net changes		103,922	47,318	56,604
Balance, June 30, 2021		\$ 2,433,295	\$ 260,600	\$ 2,172,695

		<b>Increase (Decrease)</b>
		<b>Total OPEB Liability</b>
<b>School OPEB Plan</b>		
Balance, July 1, 2020		\$ 207,922
Changes for the year:		
Service cost		15,247
Interest		4,960
Difference between expected and actual experience		70
Change in assumptions		4,586
Benefit payments		(15,114)
Net changes		9,749
Balance, June 30, 2021		\$ 217,671

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

**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 (1.30%) or 1-percentage-point higher (3.30%) than the current discount rate:

	<b>Change in Discount Return</b>		
	<b>1.00% Decrease (1.00%)</b>	<b>Current Discount Rate (2.00%)</b>	<b>1.00% Increase (3.00%)</b>
City's Net OPEB Liability	\$ 2,420,365	\$ 2,172,695	\$ 1,951,520
Schools' Total OPEB Liability	\$ 233,392	\$ 217,671	\$ 202,656

**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 (4.70% decreasing to 3.70%) or 1-percentage-point higher (4.70% increasing to 5.70%) than the current healthcare cost trend rates:

	<b>Change in Health Care Cost Trend</b>		
	<b>1.00% Decrease (3.70%)</b>	<b>Current Discount Rate (4.70%)</b>	<b>1.00% Increase (5.70%)</b>
City's Net OPEB Liability	\$ 1,879,154	\$ 2,172,695	\$ 2,523,240
Schools' Total OPEB Liability	\$ 191,814	\$ 217,671	\$ 248,579

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

For the year ended June 30, 2021, the City and Schools recognized OPEB expense of \$108,358 and \$26,024, respectively. At June 30, 2021, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Primary Government</b>		<b>Component Unit - Schools</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Single Employer Plan</b>
<b>Deferred Outflows</b>			
Change of assumptions	\$ 207,437	\$ 7,704	\$ 4,552
Difference between expected and actual experience	287,718	10,686	146,296
<b>Total Deferred Outflows</b>	<b>\$ 495,155</b>	<b>\$ 18,390</b>	<b>\$ 150,848</b>
<b>Deferred Inflows</b>			
Change of assumptions	\$ (94,722)	\$ (3,518)	\$ (28,062)
Net difference between projected and actual earnings on OPEB plan investments	(10,861)	(403)	-
<b>Total Deferred Inflows</b>	<b>\$ (105,583)</b>	<b>\$ (3,921)</b>	<b>\$ (28,062)</b>

17. **Other Postemployment Benefits – Local Plans (Concluded)**

**K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (concluded)**

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

<b>Years Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Unit - Schools</b>
2022	\$ 110,893	\$ 4,117	\$ 27,303
2023	110,882	4,117	27,303
2024	63,962	2,375	27,303
2025	53,326	1,980	24,138
2026	50,509	1,880	15,819
Thereafter	-	-	920
<b>Total</b>	<b>\$ 389,572</b>	<b>\$ 14,469</b>	<b>\$ 122,786</b>

**L. Summary of OPEB Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2021, the aggregate OPEB liabilities, expenses, and related deferred outflows and inflows recognized for the City and School Board were as follows:

	<b>Primary Government</b>		<b>Component Unit - Schools</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Political Subdivision Plan</b>	<b>Teachers' Cost-Sharing Plan</b>
<b>Net OPEB Liability</b>				
Local Plan	\$ 2,094,892	\$ 77,803	\$ 217,671	\$ -
Group Life Insurance Program	527,456	19,589	46,561	988,118
Health Insurance Credit Program	151,411	5,624	63,146	1,813,409
<b>Total Net OPEB Liability</b>	<b>\$ 2,773,759</b>	<b>\$ 103,016</b>	<b>\$ 327,378</b>	<b>\$ 2,801,527</b>
<b>OPEB Expense</b>				
Local Plan	\$ 104,623	\$ 3,735	\$ 26,024	\$ -
Group Life Insurance Program	(10,336)	(1,659)	1,871	31,507
Health Insurance Credit Program	2,569	(695)	6,262	138,564
<b>Total OPEB Expense</b>	<b>\$ 96,856</b>	<b>\$ 1,381</b>	<b>\$ 34,157</b>	<b>\$ 170,071</b>
<b>Deferred Outflows</b>				
Local Plan	\$ 495,155	\$ 18,390	\$ 150,848	\$ -
Group Life Insurance Program	118,336	4,496	10,140	209,107
Health Insurance Credit Program	39,071	1,452	8,463	189,481
<b>Total Deferred Outflows</b>	<b>\$ 652,562</b>	<b>\$ 24,338</b>	<b>\$ 169,451</b>	<b>\$ 398,588</b>
<b>Deferred Inflows</b>				
Local Plan	\$ (105,583)	\$ (3,921)	\$ (28,062)	\$ -
Group Life Insurance Program	(18,927)	(703)	(1,717)	(61,958)
Health Insurance Credit Program	(12,685)	(471)	(745)	(93,608)
<b>Total Deferred Inflows</b>	<b>\$ (137,195)</b>	<b>\$ (5,095)</b>	<b>\$ (30,524)</b>	<b>\$ (155,566)</b>

***This page left blank intentionally***

***Required Supplementary Information (Unaudited)***

**Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)****Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources</b>				
Revenue from local sources				
General property taxes				
Real property taxes	\$ 18,482,000	\$ 18,482,000	\$ 18,410,561	\$ (71,439)
Public service corporation property taxes	242,000	242,000	247,639	5,639
Personal property	2,905,615	2,905,615	3,203,398	297,783
Penalties and interest	143,000	143,000	145,313	2,313
<b>Total general property taxes</b>	<b>21,772,615</b>	<b>21,772,615</b>	<b>22,006,911</b>	<b>234,296</b>
Other local taxes				
Sales and use taxes	1,049,684	1,078,849	1,252,626	173,777
Meals taxes	721,000	721,000	820,404	99,404
Cigarette taxes	85,000	85,000	86,391	1,391
Consumers' utility taxes	305,500	305,500	312,515	7,015
Consumption tax	40,000	40,000	41,312	1,312
Business license taxes	393,000	393,000	438,859	45,859
Bank stock taxes	45,000	45,000	23,903	(21,097)
Recordation and wills taxes	155,000	155,000	354,874	199,874
Deeds of conveyance	40,000	40,000	77,153	37,153
<b>Total other local taxes</b>	<b>2,834,184</b>	<b>2,863,349</b>	<b>3,408,037</b>	<b>544,688</b>
Permits, privilege fees and regulatory licenses				
Animal license	1,000	1,000	1,910	910
Permits and other licenses	137,200	137,200	303,583	166,383
<b>Total permits, privilege fees, and regulatory licenses</b>	<b>138,200</b>	<b>138,200</b>	<b>305,493</b>	<b>167,293</b>
Fines and forfeitures	42,000	42,000	34,142	(7,858)
Revenue from use of money and property				
Revenue from use of money	132,000	132,000	15,031	(116,969)
Revenue from use of property	196,300	196,300	191,093	(5,207)
<b>Total revenue from use of money and property</b>	<b>328,300</b>	<b>328,300</b>	<b>206,124</b>	<b>(122,176)</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)****Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Charges for services				
Charges for copying	6,000	6,000	2,992	(3,008)
Charges for passport processing	55,460	55,460	23,841	(31,619)
Charges for library and fees	16,600	16,600	10,196	(6,404)
EMS revenue recovery	360,000	360,000	325,565	(34,435)
Charges for Parks & Recreation Programs	135,600	135,600	68,471	(67,129)
Charges for Pool	63,300	63,300	77,137	13,837
Charges for Events	145,500	145,500	-	(145,500)
<b>Total charges for services</b>	<b>782,460</b>	<b>782,460</b>	<b>508,202</b>	<b>(274,258)</b>
Miscellaneous revenues				
Miscellaneous	-	-	17,846	17,846
Miscellaneous grants	-	30,476	30,414	(62)
Donations-Library	-	5,107	4,771	(336)
Donations-Police	-	8,058	9,108	1,050
<b>Total miscellaneous revenues</b>	<b>-</b>	<b>43,641</b>	<b>62,139</b>	<b>18,498</b>
Intergovernmental				
Revenues from the Commonwealth				
Noncategorical aid				
DMV reimbursement	130,000	130,000	130,923	923
Gaming fee	10,000	10,000	15,766	5,766
Mobile home titling taxes	12,000	12,000	40,221	28,221
Rolling stock tax	-	-	56	56
Personal property tax relief	1,923,435	1,923,435	1,923,428	(7)
<b>Total noncategorical aid</b>	<b>2,075,435</b>	<b>2,075,435</b>	<b>2,110,394</b>	<b>34,959</b>
Categorical aid				
Shared expenses				
Commissioner of the Revenue	101,604	101,604	104,986	3,382
Treasurer	101,598	101,598	104,628	3,030
Registrar/electoral board	37,500	37,500	39,983	2,483
<b>Total categorical aid</b>	<b>240,702</b>	<b>240,702</b>	<b>249,597</b>	<b>8,895</b>

(Continued)



**Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)****Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Other categorical aid				
State 599 police funds	259,359	259,359	275,493	16,134
Fire and EMS	-	59,304	59,027	(277)
Department of Emergency Services	-	20,500	6,500	(14,000)
Street and highway maintenance	915,000	915,000	915,000	-
Litter control	3,727	5,608	5,608	-
Library	150,870	167,250	167,250	-
Comprehensive Services Act	252,000	252,000	152,542	(99,458)
State drug seizure	-	1,770	1,770	-
Other state grants	69,227	69,227	71,628	2,401
<b>Total other categorical aid</b>	<b>1,650,183</b>	<b>1,750,018</b>	<b>1,654,818</b>	<b>(95,200)</b>
<b>Total categorical aid</b>	<b>1,890,885</b>	<b>1,990,720</b>	<b>1,904,415</b>	<b>(86,305)</b>
<b>Total revenues from the Commonwealth</b>	<b>3,966,320</b>	<b>4,066,155</b>	<b>4,014,809</b>	<b>(51,346)</b>
Revenues from the federal government				
Federal Grants	3,135	1,953,257	1,989,609	36,352
<b>Total revenues from the federal government</b>	<b>3,135</b>	<b>1,953,257</b>	<b>1,989,609</b>	<b>36,352</b>
Other financing sources				
Transfer from Sewer Fund	200,000	200,000	200,000	-
Transfer from Solid Waste Fund	50,000	50,000	50,000	-
Transfer from Debt Service Fund	108,900	286,900	286,900	-
Transfer from Fund Balance	-	1,011,513	-	(1,011,513)
<b>Total other financing sources</b>	<b>358,900</b>	<b>1,548,413</b>	<b>536,900</b>	<b>(1,011,513)</b>
<b>Total revenues and other financing sources</b>	<b>30,226,114</b>	<b>33,538,390</b>	<b>33,072,366</b>	<b>(466,024)</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)****Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Expenditures and other financing uses</b>				
General government administration				
Legislative - City Council	\$70,970	\$72,370	\$72,336	34
General and financial administration				
City Manager	487,888	493,764	493,731	33
Legal services	119,305	119,305	109,550	9,755
Independent auditor	48,000	50,150	50,150	-
Commissioner of the Revenue	338,847	341,816	336,317	5,499
Assessor/equalization board	226,864	228,662	225,269	3,393
Treasurer	335,479	338,260	321,605	16,655
Finance	554,118	553,269	511,959	28,216
Technology	105,376	105,376	101,534	3,842
Risk management	56,142	523,901	521,736	2,165
<b>Total general and financial administration</b>	<b>2,272,019</b>	<b>2,754,503</b>	<b>2,671,851</b>	<b>69,558</b>
Board of Elections - Electoral Board and Registrar	197,047	225,424	205,171	20,253
<b>Total general government administration</b>	<b>2,540,036</b>	<b>3,052,297</b>	<b>2,949,358</b>	<b>89,845</b>
Judicial Administration				
Courts	317,363	317,363	297,357	20,006
Sheriff	229,110	229,110	229,110	-
<b>Total judicial administration</b>	<b>546,473</b>	<b>546,473</b>	<b>526,467</b>	<b>20,006</b>
Public Safety				
Law enforcement and traffic control - police department	3,161,244	3,257,743	3,185,082	72,661
Fire and rescue services - fire department	3,454,608	3,831,289	3,831,924	(635)
Correction and detention - regional operated institutions	312,888	312,888	305,140	7,748
Inspections - various	268,146	315,212	314,988	224
Other protection - animal control	88,071	88,071	88,071	-
<b>Total public safety</b>	<b>7,284,957</b>	<b>7,805,203</b>	<b>7,725,205</b>	<b>79,998</b>
Public works				
Maintenance of highways, streets, bridges, and sidewalks				
General engineering/administration	211,792	213,621	199,241	14,380
Highways, streets, bridges, and sidewalks	1,634,813	1,600,265	1,542,840	42,425
Street lights	86,000	96,267	68,322	27,945
<b>Total maintenance of highways, streets, bridges, and sidewalks</b>	<b>1,932,605</b>	<b>1,910,153</b>	<b>1,810,403</b>	<b>84,750</b>
Maintenance of general buildings and grounds	185,679	185,679	135,420	50,259
<b>Total public works</b>	<b>2,118,284</b>	<b>2,095,832</b>	<b>1,945,823</b>	<b>135,009</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)****Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Expenditures and other financing uses (Continued)</b>				
Health and welfare				
Health				
Local health department	41,301	41,301	39,418	1,883
Mosquito control	278,233	280,240	260,504	19,736
<b>Total health</b>	<b>319,534</b>	<b>321,541</b>	<b>299,922</b>	<b>21,619</b>
Mental health and mental retardation - mental health	260,225	260,225	262,632	(2,407)
Welfare				
Social Services	312,400	312,400	287,943	24,457
Children Services Act	350,000	350,000	185,743	164,257
<b>Total welfare</b>	<b>662,400</b>	<b>662,400</b>	<b>473,686</b>	<b>188,714</b>
<b>Total health and welfare</b>	<b>1,242,159</b>	<b>1,244,166</b>	<b>1,036,240</b>	<b>207,926</b>
Education - Schools	10,146,687	10,174,481	9,031,974	1,142,507
<b>Total education</b>	<b>10,146,687</b>	<b>10,174,481</b>	<b>9,031,974</b>	<b>1,142,507</b>
Parks, recreation, and cultural				
Supervision of parks and recreation	490,165	495,491	414,113	81,378
Pool operations	141,791	141,791	126,792	14,999
Seafood Festival events	240,007	240,621	83,680	156,941
Library - administration	920,369	956,185	894,754	61,431
<b>Total parks, recreation, and cultural</b>	<b>1,792,332</b>	<b>1,834,088</b>	<b>1,519,339</b>	<b>314,749</b>
Community development				
Planning	354,903	357,832	341,017	16,815
Economic development	106,940	107,851	97,223	10,628
Community development	125,710	128,583	128,582	1
<b>Total community development</b>	<b>587,553</b>	<b>594,266</b>	<b>566,822</b>	<b>27,444</b>
Nondepartmental				
Nondepartmental - miscellaneous	-	938,275	920,566	17,709
Department of Motor Vehicles Select	138,410	139,420	130,040	9,380
<b>Total nondepartmental</b>	<b>138,410</b>	<b>1,077,695</b>	<b>1,050,606</b>	<b>27,089</b>
Economic Development Authority	19,141	19,141	19,141	-
<b>Total Economic Development Authority</b>	<b>19,141</b>	<b>19,141</b>	<b>19,141</b>	<b>-</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)****Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Other Financing Uses</b>				
Transfers to Debt Service Fund	3,795,082	3,795,082	3,795,082	-
Transfers to Capital Projects Fund	15,000	227,241	227,241	-
Transfers to Fleet Fund	-	2,000	2,000	-
Transfers to Solid Waste Fund	-	-	15,000	-
Transfers to Fund Balance	-	892,425	-	892,425
Transfers to Fiscal Stability Reserve	-	178,000	-	178,000
<b>Total other financing uses</b>	<b>3,810,082</b>	<b>5,094,748</b>	<b>4,039,323</b>	<b>1,070,425</b>
<b>Total expenditures and other financing uses</b>	<b>30,226,114</b>	<b>33,538,390</b>	<b>30,410,298</b>	<b>3,114,998</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,662,068</b>	<b>\$ 2,648,974</b>
<b>Less encumbrances beginning of year, actually expended as of end of year</b>			<b>(94,852)</b>	
<b>Add encumbrances outstanding end of year</b>			<b>95,725</b>	
The Grant Fund is consolidated into the General Fund for reporting purposes:				
<b>Revenues</b>				
Local matching funds			123	
Federal grant			25,662	
<b>Total Revenues</b>			<b>25,785</b>	
<b>Expenditures</b>				
Community Development expenditures			25,662	
<b>Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis</b>			<b>2,663,064</b>	
<b>Fund balances, June 30, 2020</b>			<b>9,201,280</b>	
<b>Fund balances, June 30, 2021</b>			<b>\$ 11,864,344</b>	

(Concluded)

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

Year Ended June 30,

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

## 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,**

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

**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,**

	2021	2020	2019	2018	2017	2016	2015
<b>Schedule of Proportionate Share of the Net Pension Liability and Related Ratios</b>							
Employer's Proportion of the net pension liability	0.14042%	0.14177%	0.14390%	0.14631%	0.14548%	0.14682%	0.14753%
Employer's proportionate share of the net pension liability	\$ 20,434,798	\$ 18,657,738	\$ 16,923,000	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 17,829,000
Employer's covered payroll	12,186,554	11,803,449	11,559,264	11,491,017	11,097,066	10,969,314	10,827,561
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	167.68%	158.07%	146.40%	156.58%	183.72%	168.46%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	72.15%	72.92%	72.92%	72.92%	68.28%	70.68%	70.88%
<b>Schedule of Employer Contributions</b>							
Contractually required contribution	\$ 1,999,831	\$ 1,910,852	\$ 1,850,781	\$ 1,886,472	\$ 1,684,583	\$ 1,609,075	\$ 1,590,551
Contribution in relation to contractually required contribution	1,999,831	1,910,852	1,850,781	1,886,472	1,684,583	1,609,075	1,590,551
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	16.62%	15.68%	15.68%	16.32%	14.66%	14.50%	14.50%

**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.

**Year Ended June 30,**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 98,205	\$ 70,219	\$ 67,825	\$ 77,260
Interest	54,480	76,258	74,639	56,357
Change in benefit terms	-	-	-	695,727
Change in assumptions	69,040	222,372	-	626,795
Difference between expected and actual experience	8,469	92,560	11,543	(280,164)
Benefit payments, including refunds of member contributions	(126,272)	(152,593)	(100,431)	(47,037)
<b>Net change in total OPEB liability</b>	103,922	308,816	53,576	1,128,938
Plan total OPEB liability, beginning	2,329,373	2,020,557	1,966,981	838,043
<b>Plan total OPEB liability, ending</b>	<b>\$ 2,433,295</b>	<b>\$ 2,329,373</b>	<b>\$ 2,020,557</b>	<b>\$ 1,966,981</b>
<b>Plan Fiduciary Net OPEB</b>				
Contributions - employer	\$ 88,142	\$ 101,068	\$ 167,239	\$ 106,774
Contributions - employee	112,994	93,755	83,763	70,306
Net investment income	32,318	10,214	547	238
Benefit payments	(186,136)	(179,823)	(148,629)	(92,170)
<b>Net change in plan fiduciary net position</b>	47,318	25,214	102,920	85,148
Plan fiduciary net position, beginning	213,282	188,068	85,148	-
<b>Plan fiduciary net position, ending</b>	<b>\$ 260,600</b>	<b>\$ 213,282</b>	<b>\$ 188,068</b>	<b>\$ 85,148</b>
<b>Plan net OPEB liability, ending</b>	<b>\$ 2,172,695</b>	<b>\$ 2,116,091</b>	<b>\$ 1,832,489</b>	<b>\$ 1,881,833</b>
Plan fiduciary net position as a percentage of the total OPEB liability	10.71%	9.16%	9.31%	4.33%
Covered payroll	\$ 8,216,810	\$ 7,743,990	\$ 7,562,087	\$ 7,020,980
Plan net position liability as a percentage of covered payroll	26.44%	27.33%	24.23%	26.80%

### Schedule of Employer Contributions

	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Date					
6/30/2021	\$ 88,142	\$ 88,142	\$ -	\$ 8,216,810	1.07%
6/30/2020	101,068	101,068	-	7,743,990	1.31%
6/30/2019	167,239	167,239	-	7,562,087	2.21%
6/30/2018	106,774	106,774	-	7,020,980	1.52%
		2021	2020	2019	
Annual money-weighted rate of return		0.44%	0.44%	0.44%	

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:	6.0% per annum, compounded annually
Healthcare cost trend rate:	5.50%

98



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

Year Ended June 30,

#### Schedule of Changes in Net OPEB Liability and Related Ratios

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 15,247	\$ 12,225	\$ 11,808	\$ 15,200
Interest	4,960	7,794	7,657	10,003
Change in assumptions	4,586	887	-	134,473
Difference between expected and actual experience	70	4,477	126,552	(58,566)
Benefit payments, including refunds of member contributions	(15,114)	(20,598)	(143,973)	(180,365)
<b>Net change in total OPEB liability</b>	<b>9,749</b>	<b>4,785</b>	<b>2,044</b>	<b>(79,255)</b>
Plan total OPEB liability, beginning	207,922	203,137	201,093	280,348
<b>Plan total OPEB liability, ending</b>	<b>\$ 217,671</b>	<b>\$ 207,922</b>	<b>\$ 203,137</b>	<b>\$ 201,093</b>
Covered payroll	\$ 12,596,313	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Net OPEB liability as a percentage of covered payroll	1.73%	1.64%	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
6/30/2021	\$ 15,114	\$ 12,596,313	0.12%
6/30/2020	20,598	12,696,749	0.16%
6/30/2019	143,973	12,294,917	1.17%
6/30/2018	180,365	12,005,045	1.50%

#### 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:	4.70%

**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, 2018 is not available; however, additional years will be included as they become available.

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

**Year Ended June 30,**

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

	2021	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.03278%	0.03261%	0.03274%	0.03300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 547,045	\$ 530,652	\$ 497,000	\$ 497,000
Covered Payroll	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.12%	8.31%	8.01%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	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 OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2021	\$ 34,365	\$ 35,178	\$ (813)	\$ 6,608,649	0.53%
6/30/2020	35,045	35,077	(32)	6,739,407	0.52%
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 Program  
and Related Ratios and Employer Contributions (Unaudited) -  
Virginia Retirement System - Schools***

**Year Ended June 30,**

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

	2021	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.00279%	0.00274%	0.00277%	0.00300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 46,561	\$ 44,588	\$ 42,000	\$ 45,000
Covered Payroll	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.11%	8.29%	7.97%	8.14%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	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 OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2021	\$ 2,685	\$ 2,788	\$ (103)	\$ 516,364	0.54%
6/30/2020	2,984	2,983	1	573,771	0.52%
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 Program  
and Related Ratios and Employer Contributions (Unaudited) -  
Virginia Retirement System - Teachers' Pool***

**Year Ended June 30,**

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

	2021	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.05921%	0.06022%	0.06075%	0.06225%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 988,118	\$ 979,940	\$ 922,000	\$ 937,000
Covered Payroll	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.11%	8.30%	7.98%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	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 OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2021	\$ 62,570	\$ 64,977	\$ (2,407)	\$ 12,032,677	0.54%
6/30/2020	63,370	63,370	-	12,186,554	0.52%
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  
Program and Related Ratios and Employer Contributions (Unaudited) -  
Virginia Retirement System - City***

**Year Ended June 30,**

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

	2021	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.29617%	0.83048%	0.75435%	0.75790%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 157,035	\$ 158,427	\$ 131,099	\$ 131,420
Covered Payroll	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 5,591,072
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	2.33%	2.48%	2.11%	2.35%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	31.58%	56.19%	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 OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2021	\$ 17,843	\$ 16,884	\$ 959	\$ 6,608,649	0.26%
6/30/2020	18,196	16,884	1,312	6,739,407	0.25%
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  
Program and Related Ratios and Employer Contributions (Unaudited) -  
Virginia Retirement System - Schools***

**Year Ended June 30,**

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

	2021	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.11909%	0.31217%	0.33949%	0.33449%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 63,146	\$ 59,551	\$ 59,000	\$ 58,000
Covered Payroll	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	11.01%	11.07%	11.20%	10.50%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	31.58%	56.19%	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 OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2021	\$ 5,422	\$ 5,422	\$ -	\$ 516,364	1.05%
6/30/2020	4,992	4,992	-	573,771	0.87%
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  
Program and Related Ratios and Employer Contributions (Unaudited) -  
Virginia Retirement System - Teachers' Pool***

**Year Ended June 30,**

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

	2021	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.13901%	0.14075%	0.14285%	0.14545%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 1,813,409	\$ 1,842,554	\$ 1,814,000	\$ 1,845,000
Covered Payroll	12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	14.88%	15.61%	15.69%	16.06%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	9.95%	8.97%	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 OPEB 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
6/30/2021	\$ 145,595	\$ 145,596	\$ (1)	\$ 12,032,677	1.21%
6/30/2020	146,239	146,238	1	12,186,554	1.20%
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, 2021**

---

**Budgets and Budgetary Accounting**

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

- Between the 1<sup>st</sup> and 30<sup>th</sup> 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.

\* \* \* \* \*



***This page left blank intentionally***

***Other Supplementary Information***

**Combining Balance Sheet - Component Unit - Poquoson City Public Schools****June 30, 2021**

	General	Food Service	School Activity Funds	Total Schools
<b>Assets</b>				
Cash and cash equivalents	\$ 3,461,235	\$ -	\$ 287,090	\$ 3,748,325
Restricted cash and cash equivalents	-	458,048	-	458,048
Due from other governmental units	408,258	-	-	408,258
Inventory	-	17,147	-	17,147
<b>Total assets</b>	<b>\$ 3,869,493</b>	<b>\$ 475,195</b>	<b>\$ 287,090</b>	<b>\$ 4,631,778</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 2,576,215	\$ -	\$ -	\$ 2,576,215
Due to Primary Government	1,131,984	-	-	1,131,984
<b>Total liabilities</b>	<b>3,708,199</b>	<b>-</b>	<b>-</b>	<b>3,708,199</b>
<b>Fund Balances</b>				
Nonspendable	-	17,147	-	17,147
Restricted	-	458,048	287,090	745,138
Assigned, education	161,294	-	-	161,294
<b>Total fund balances</b>	<b>161,294</b>	<b>475,195</b>	<b>287,090</b>	<b>923,579</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,869,493</b>	<b>\$ 475,195</b>	<b>\$ 287,090</b>	<b>\$ 4,631,778</b>

-

**Combining Balance Sheet - Component Unit - Poquoson City Public Schools****June 30, 2021****Reconciliation of Combining Balance Sheet  
to Statement of Net Position - Component Unit - Schools**

Total fund balances - Component Unit - Schools	\$ 923,579
Amount reported for component unit activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	8,491,845
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.	5,697,159
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(24,396,340)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.	<u>(1,862,763)</u>
<b>Total net position - Component Unit - Schools</b>	<b><u><u>\$ (11,146,520)</u></u></b>

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

**Year Ended June 30, 2021**

	General Fund	Food Service	Student Activity Funds	Total Schools
<b>Revenues</b>				
Charges for services	\$ -	\$ 1,179,968	\$ 271,516	\$ 1,451,484
Intergovernmental				
Commonwealth of Virginia	12,872,991	-	-	12,872,991
Federal government	1,999,330	-	-	1,999,330
Local government	9,304,423	-	-	9,304,423
Other	169,792	-	-	169,792
<b>Total revenues</b>	<b>24,346,536</b>	<b>1,179,968</b>	<b>271,516</b>	<b>25,798,020</b>
<b>Expenditures</b>				
Current				
Education	24,664,456	1,025,582	305,421	25,995,459
<b>Total expenditures</b>	<b>24,664,456</b>	<b>1,025,582</b>	<b>305,421</b>	<b>25,995,459</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(317,920)</b>	<b>154,386</b>	<b>(33,905)</b>	<b>(197,439)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	5,787	-	5,787
Transfers out	(5,787)	-	-	(5,787)
<b>Total other financing sources (uses), net</b>	<b>(5,787)</b>	<b>5,787</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(323,707)</b>	<b>160,173</b>	<b>(33,905)</b>	<b>(197,439)</b>
<b>Fund balance, beginning of year (restated)</b>	<b>485,001</b>	<b>315,022</b>	<b>320,995</b>	<b>1,121,018</b>
<b>Fund balance, end of year</b>	<b>\$ 161,294</b>	<b>\$ 475,195</b>	<b>\$ 287,090</b>	<b>\$ 923,579</b>

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

---

**Year Ended June 30, 2021**

---

**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 \$ (197,439)

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	650,899
Depreciation expense	(1,205,247)
Loss on disposal of capital assets	(126,240)

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.

682,694

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	(195,957)
Other postemployment benefits liability	8,339
Compensated absences	(30,687)

<b>Change in net position of governmental activities</b>	<b>\$ (413,638)</b>
--	---------------------

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

**Year Ended June 30, 2021**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ 12,439,818	\$ 12,996,178	\$ 12,872,991	\$ (123,187)
Federal government	1,021,006	2,970,770	1,999,330	(971,440)
Local government	10,166,687	10,302,366	9,304,423	(997,943)
Other	140,675	180,260	169,792	(10,468)
<b>Total revenues</b>	<b>23,768,186</b>	<b>26,449,574</b>	<b>24,346,536</b>	<b>(2,103,038)</b>
<b>Expenditures</b>				
Current				
Instruction	17,291,760	17,395,513	16,669,300	726,213
Division-wide	1,175,812	1,232,250	1,175,477	56,773
Transportation	890,314	890,314	699,858	190,456
Operation and maintenance	2,049,731	2,417,050	2,206,590	210,460
Food service	280,728	280,728	55,405	225,323
Technology	1,243,835	1,447,949	1,262,339	185,610
Grants	836,006	2,785,770	2,277,567	508,203
<b>Total expenditures</b>	<b>23,768,186</b>	<b>26,449,574</b>	<b>24,346,536</b>	<b>2,103,038</b>
<b>Other financing (uses)</b>				
Transfer out - special revenue fund	-	-	(5,787)	(5,787)
<b>Total other financing (uses)</b>	<b>-</b>	<b>-</b>	<b>(5,787)</b>	<b>(5,787)</b>
<b>Deficiency of revenues under expenditures and other financing (uses) - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(5,787)</b>	<b>\$ (5,787)</b>
<b>Less encumbrances outstanding beginning of year actually expended as of end of year</b>			(485,001)	
<b>Add encumbrances outstanding end of year</b>			161,294	
<b>Deficiency of revenues under expenditures and other financing uses - U.S. GAAP basis</b>			(323,707)	
<b>Fund balance, beginning of year</b>			485,001	
<b>Fund balance, end of year</b>			<b>\$ 161,294</b>	

**Statement of Cash Flows - Component Unit - Economic Development Authority****Year Ended June 30, 2021****Cash flows from operating activities**

Received from customers and users	\$ 14,778
Payments to suppliers for goods and services	(141,723)
<b>Net cash used in operating activities</b>	<b>(126,945)</b>

**Cash flows from noncapital financing agreements**

Contributions from Primary Government	145,141
<b>Net cash provided by noncapital financing agreements</b>	<b>145,141</b>

**Cash flows from capital and related financing activities**

Interest paid on capital debt	(24,583)
<b>Net cash used in capital and related financing activities</b>	<b>(24,583)</b>

**Net decrease in cash and cash equivalents** (6,387)

**Cash and cash equivalents, beginning of year** 51,520

**Cash and cash equivalents, end of year** \$ 45,133

**Reconciliation of operating loss to net cash used in operating activities**

Operating loss	\$ (141,526)
Depreciation	14,331
Changes in assets and liabilities	
Accounts payable	250
<b>Net cash used in by operating activities</b>	<b>\$ (126,945)</b>



***This page left blank intentionally***

***Statistical Section (Unaudited)***

***Statistical Section Overview***

---

**June 30, 2021**

---

This part of the City of Poquoson's Annual Comprehensive 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 Annual Comprehensive Financial Reports for the relevant year.

\* \* \* \* \*

**Net Position by Component (unaudited)****Last Ten Fiscal Years**

					(Restated)				(Restated)		
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Governmental activities											
Net investment in capital assets	\$ 21,089,440	\$ 18,133,197	\$ 2,081,923	\$ 18,989,419	\$ 17,903,251	\$ 16,369,767	\$ 15,992,201	\$ 15,304,386	\$ 16,049,986	\$ 16,838,143	
Restricted	1,310,631	2,489,143	20,119,972	1,873,326	1,997,619	2,502,661	1,229,189	758,646	878,402	1,037,956	
Unrestricted	4,474,393	3,153,096	2,254,527	944,323	2,027,326	1,902,805	1,404,823	864,818	5,088,254	5,070,860	
<b>Total governmental activities</b>	<b>\$ 26,874,464</b>	<b>\$ 23,775,436</b>	<b>\$ 24,456,422</b>	<b>\$ 21,807,068</b>	<b>\$ 21,928,196</b>	<b>\$ 20,775,233</b>	<b>\$ 18,626,213</b>	<b>\$ 16,927,850</b>	<b>\$ 22,016,642</b>	<b>\$ 22,946,959</b>	
Business-type activities											
Net investment in capital assets	\$ 5,370,778	\$ 5,454,081	\$ 5,201,957	\$ 4,865,391	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909	\$ 4,610,052	\$ 4,848,333	\$ 5,094,194	
Unrestricted	3,446,094	3,258,942	3,134,382	2,863,875	2,565,946	1,869,516	1,408,633	1,307,027	1,016,071	588,681	
<b>Total business-type activities</b>	<b>\$ 8,816,872</b>	<b>\$ 8,713,023</b>	<b>\$ 8,336,339</b>	<b>\$ 7,729,266</b>	<b>\$ 7,177,923</b>	<b>\$ 6,623,552</b>	<b>\$ 6,200,542</b>	<b>\$ 5,917,079</b>	<b>\$ 5,864,404</b>	<b>\$ 5,682,875</b>	
Primary Government											
Net investment in capital assets	\$ 26,460,218	\$ 23,587,278	\$ 7,283,880	\$ 23,854,810	\$ 22,515,228	\$ 21,123,803	\$ 20,784,110	\$ 19,914,438	\$ 20,898,319	\$ 21,932,337	
Restricted - capital projects	-	1,422,500	18,973,986	1,080,002	1,644,469	1,995,804	942,712	488,442	645,971	862,106	
Restricted - other	1,310,631	1,066,643	1,145,986	793,324	353,150	506,857	286,477	270,204	232,431	175,850	
Unrestricted	7,920,487	6,412,038	5,388,909	3,808,198	4,593,272	3,772,321	2,813,456	2,171,845	6,104,325	5,659,541	
<b>Total Primary Government</b>	<b>\$ 35,691,336</b>	<b>\$ 32,488,459</b>	<b>\$ 32,792,761</b>	<b>\$ 29,536,334</b>	<b>\$ 29,106,119</b>	<b>\$ 27,398,785</b>	<b>\$ 24,826,755</b>	<b>\$ 22,844,929</b>	<b>\$ 27,881,046</b>	<b>\$ 28,629,834</b>	

**Change in Net Position (unaudited)****Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Expenses</b>										
Governmental activities										
General government	\$ 12,215,070	\$ 4,959,427	\$ 3,305,464	\$ 4,152,443	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051	\$ 3,471,130	\$ 3,081,068	\$ 3,058,270
Public safety and judicial	8,591,167	7,740,807	7,119,909	7,136,755	6,811,120	6,367,432	6,572,994	6,669,898	6,609,483	6,296,795
Public works	2,151,030	1,821,762	2,081,748	2,108,673	1,454,996	672,523	1,722,753	2,066,486	1,599,943	1,875,113
Health and welfare	1,070,059	1,165,110	1,190,360	1,303,164	1,228,244	1,125,090	1,036,794	957,396	909,035	913,826
Education	3,010,568	12,899,682	10,534,422	10,249,813	10,089,105	10,434,221	10,126,907	9,984,015	9,557,995	9,510,584
Parks and recreation	1,608,001	1,778,533	1,762,160	1,647,715	2,113,548	1,923,884	1,738,752	1,774,597	1,639,717	1,248,643
Economic Development Authority	145,141	17,053	16,417	5,000	-	25,000	-	-	-	-
Community development	597,883	765,613	1,095,080	2,046,826	1,611,496	667,793	560,195	644,892	711,874	567,672
Interest on long-term debt	1,263,545	1,228,907	1,922,059	1,081,173	638,246	1,040,364	1,046,103	1,074,323	1,114,258	1,219,966
<b>Total governmental activities</b>	<b>30,652,464</b>	<b>32,376,894</b>	<b>29,027,619</b>	<b>29,731,562</b>	<b>27,719,553</b>	<b>25,926,637</b>	<b>25,459,549</b>	<b>26,642,737</b>	<b>25,223,373</b>	<b>24,690,869</b>
Business-type activities										
Sewer	1,654,348	1,457,329	1,462,941	1,439,188	1,488,407	1,485,293	1,520,881	1,465,757	1,470,187	1,447,681
Parks and recreation	-	-	-	-	-	-	-	-	-	455,199
Solid waste	1,103,778	1,041,994	816,100	756,231	806,210	793,688	746,243	863,191	842,251	743,280
<b>Total business-type activities</b>	<b>2,758,126</b>	<b>2,499,323</b>	<b>2,279,041</b>	<b>2,195,419</b>	<b>2,294,617</b>	<b>2,278,981</b>	<b>2,267,124</b>	<b>2,328,948</b>	<b>2,312,438</b>	<b>2,646,160</b>
<b>Total expenses</b>	<b>33,410,590</b>	<b>34,876,217</b>	<b>31,306,660</b>	<b>31,926,981</b>	<b>30,014,170</b>	<b>28,205,618</b>	<b>27,726,673</b>	<b>28,971,685</b>	<b>27,535,811</b>	<b>27,337,029</b>
<b>Program revenues</b>										
Governmental activities										
Charges for services:										
General government	589,108	258,432	256,084	179,790	1,269,889	343,486	236,877	276,781	218,338	223,152
Public safety and judicial	325,566	427,125	494,512	475,122	458,937	435,190	477,642	398,996	370,268	112,011
Education	-	-	-	-	3,655	47,520	43,914	35,343	36,347	49,188
Parks and recreation	37,028	52,895	80,480	77,252	85,445	89,096	80,871	76,741	80,352	74,609
Community development	145,608	240,495	328,058	347,472	317,701	330,949	324,945	312,043	330,873	300,206
Operating grants and contributions	3,644,428	2,284,340	1,707,679	1,752,658	1,640,741	1,633,650	1,566,976	1,622,774	1,670,603	1,575,285
Capital grants and contributions	878,892	928,323	1,558,876	2,059,956	645,565	837,446	507,190	599,361	458,320	732,846
<b>Total governmental activities</b>	<b>5,620,630</b>	<b>4,191,610</b>	<b>4,425,689</b>	<b>4,892,250</b>	<b>4,421,933</b>	<b>3,717,337</b>	<b>3,238,415</b>	<b>3,322,039</b>	<b>3,165,101</b>	<b>3,067,297</b>
Business-type activities										
Charges for services:										
Sewer	1,890,642	1,901,917	2,145,486	2,095,278	2,188,672	2,015,026	1,865,981	1,887,501	1,835,646	1,520,017
Solid waste	1,203,857	1,141,314	886,514	846,418	819,845	801,841	796,892	863,890	862,297	212,730
Parks and recreation	-	-	-	-	-	-	-	-	-	743,936
<b>Total business-type activities</b>	<b>3,094,499</b>	<b>3,043,231</b>	<b>3,032,000</b>	<b>2,941,696</b>	<b>3,008,517</b>	<b>2,816,867</b>	<b>2,662,873</b>	<b>2,751,391</b>	<b>2,697,943</b>	<b>2,476,683</b>
<b>Total program revenues</b>	<b>8,715,129</b>	<b>7,234,841</b>	<b>7,457,689</b>	<b>7,833,946</b>	<b>7,430,450</b>	<b>6,534,204</b>	<b>5,901,288</b>	<b>6,073,430</b>	<b>5,863,044</b>	<b>5,543,980</b>
<b>Governmental activities, net expense</b>	<b>(25,031,834)</b>	<b>(28,185,284)</b>	<b>(24,601,930)</b>	<b>(24,839,312)</b>	<b>(23,297,620)</b>	<b>(22,209,300)</b>	<b>(22,221,134)</b>	<b>(23,320,698)</b>	<b>(22,058,272)</b>	<b>(21,623,572)</b>
<b>Business-type activities, net expense</b>	<b>336,373</b>	<b>543,908</b>	<b>752,959</b>	<b>746,277</b>	<b>713,900</b>	<b>537,886</b>	<b>395,749</b>	<b>422,443</b>	<b>385,505</b>	<b>(169,477)</b>
<b>Total Primary Government, net expenses</b>	<b>\$ (24,695,461)</b>	<b>\$ (27,641,376)</b>	<b>\$ (23,848,971)</b>	<b>\$ (24,093,035)</b>	<b>\$ (22,583,720)</b>	<b>\$ (21,671,414)</b>	<b>\$ (21,825,385)</b>	<b>\$ (22,898,255)</b>	<b>\$ (21,672,767)</b>	<b>\$ (21,793,049)</b>

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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>General revenues and other changes in net position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 23,965,689	\$ 23,549,034	\$ 23,062,109	\$ 21,616,868	\$ 20,821,895	\$ 20,570,278	\$ 20,368,202	\$ 18,827,143	\$ 18,219,806	\$ 18,228,029
Other taxes	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995
Reimbursements from other agencies	186,967	123,570	152,346	139,561	137,731	158,675	128,897	159,612	84,883	58,458
Payments in lieu of taxes										
Investment earnings	206,247	322,261	362,288	283,557	251,622	221,823	200,759	188,699	189,710	181,274
Miscellaneous	128,922	405,494	607,862	548,204	86,193	419,424	165,351	184,222	236,197	196,203
Transfers	235,000	200,000	198,147	200,000	195,833	150,000	150,000	128,000	130,000	(118,799)
<b>Total governmental activities</b>	<b>28,130,862</b>	<b>27,504,298</b>	<b>27,251,284</b>	<b>25,752,730</b>	<b>24,450,584</b>	<b>24,358,320</b>	<b>23,919,497</b>	<b>22,292,436</b>	<b>21,741,893</b>	<b>21,075,160</b>
Business-type activities										
Investment earnings	2,476	32,776	47,686	35,208	35,973	34,964	33,357	35,470	26,440	32,131
Miscellaneous	-	-	4,575	9,280	331	160	4,357	587	2,677	128,520
Transfers	(235,000)	(200,000)	(198,147)	(200,000)	(195,833)	(150,000)	(150,000)	(128,000)	(130,000)	118,799
<b>Total business-type activities</b>	<b>(232,524)</b>	<b>(167,224)</b>	<b>(145,886)</b>	<b>(155,512)</b>	<b>(159,529)</b>	<b>(114,876)</b>	<b>(112,286)</b>	<b>(91,943)</b>	<b>(100,883)</b>	<b>279,450</b>
<b>Total general revenues and other changes in net position</b>	<b>27,898,338</b>	<b>27,337,074</b>	<b>27,105,398</b>	<b>25,597,218</b>	<b>24,291,055</b>	<b>24,243,444</b>	<b>23,807,211</b>	<b>22,200,493</b>	<b>21,641,010</b>	<b>21,354,610</b>
<b>Change in net position</b>										
Governmental activities	3,099,028	(680,986)	2,649,354	913,418	1,152,964	2,149,020	1,698,363	(1,028,262)	(316,379)	(548,412)
Business-type activities	103,849	376,684	607,073	590,765	554,371	423,010	283,463	330,500	284,622	109,973
<b>Total Primary Government</b>	<b>\$ 3,202,877</b>	<b>\$ (304,302)</b>	<b>\$ 3,256,427</b>	<b>\$ 1,504,183</b>	<b>\$ 1,707,335</b>	<b>\$ 2,572,030</b>	<b>\$ 1,981,826</b>	<b>\$ (697,762)</b>	<b>\$ (31,757)</b>	<b>\$ (438,439)</b>

**Fund Balances - Governmental Funds (unaudited)****Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund										
Non-spendable	\$ 1,647,904	\$ 1,647,904	\$ 1,707,130	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954	\$ 1,968,595	\$ 254,474
Restricted	1,310,631	244,643	458,613	193,324	353,150	348,557	286,477	270,204	234,126	175,850
Committed	1,000,000	822,000	687,373	600,000	600,000	600,000	600,000	-	-	-
Assigned	459,114	207,690	272,967	367,729	314,114	229,475	255,862	706,877	426,772	679,065
Unassigned	7,446,695	6,279,043	5,389,522	5,343,537	4,358,819	4,388,700	4,851,141	5,009,182	4,837,805	4,498,417
<b>Total General Fund</b>	<b>\$ 11,864,344</b>	<b>\$ 9,201,280</b>	<b>\$ 8,515,605</b>	<b>\$ 8,332,630</b>	<b>\$ 7,473,351</b>	<b>\$ 7,428,230</b>	<b>\$ 7,874,206</b>	<b>\$ 7,886,217</b>	<b>\$ 7,467,298</b>	<b>\$ 5,607,806</b>
All other governmental funds										
Restricted	\$ 13,896,824	\$ 17,855,149	\$ 18,973,986	\$ 1,080,002	\$ 1,644,469	\$ 2,154,104	\$ 942,712	\$ 488,442	\$ 645,971	\$ 862,106
Assigned	1,344,830	1,265,171	1,391,455	666,063	769,329	706,113	822,546	573,040	651,746	376,082
<b>Total all other governmental funds</b>	<b>\$ 15,241,654</b>	<b>\$ 19,120,320</b>	<b>\$ 20,365,441</b>	<b>\$ 1,746,065</b>	<b>\$ 2,413,798</b>	<b>\$ 2,860,217</b>	<b>\$ 1,765,258</b>	<b>\$ 1,061,482</b>	<b>\$ 1,297,717</b>	<b>\$ 1,238,188</b>

**Changes in Fund Balances - Governmental Funds (unaudited)****Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues</b>										
General property taxes	\$ 22,006,911	\$ 21,594,010	\$ 20,971,058	\$ 19,764,234	\$ 18,939,996	\$ 18,605,963	\$ 18,425,590	\$ 16,959,423	\$ 16,371,816	\$ 16,361,071
Other local taxes	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995
Permits, privilege fees, and regulatory licenses	305,493	106,467	115,212	119,995	157,800	150,186	168,314	89,910	76,040	97,314
Fines and forfeitures	34,142	30,661	30,474	42,695	34,665	41,742	44,898	73,024	58,103	43,603
Revenue from use of money and property	206,247	322,261	362,288	283,557	251,622	221,823	200,759	188,699	189,710	183,310
Charges for services	508,202	600,840	776,328	758,409	689,823	719,627	730,274	677,961	683,698	395,096
Intergovernmental	6,883,187	5,500,643	5,579,452	6,034,143	5,600,807	4,887,888	4,347,257	4,564,184	4,355,574	4,513,171
Miscellaneous	130,836	388,159	555,455	523,784	77,683	406,388	187,840	216,483	260,245	215,548
<b>Total revenues</b>	<b>33,483,055</b>	<b>31,446,980</b>	<b>31,258,799</b>	<b>30,491,357</b>	<b>28,709,706</b>	<b>27,871,737</b>	<b>27,011,220</b>	<b>25,574,444</b>	<b>24,876,483</b>	<b>24,339,108</b>
<b>Expenditures</b>										
Current										
General government and administration	2,924,942	2,427,124	2,422,070	2,367,377	2,197,779	2,307,455	2,142,936	2,150,397	2,116,875	2,175,864
Public safety and judicial	8,262,148	7,591,455	7,540,536	7,082,765	6,748,735	6,510,844	6,543,540	6,323,724	6,247,962	5,909,331
Public works	1,911,845	1,883,868	2,023,809	1,800,787	1,904,962	1,806,905	1,846,179	1,717,667	1,587,114	1,596,143
Health and welfare	1,055,408	1,160,520	1,215,397	1,308,293	1,226,563	1,127,881	1,038,823	938,191	892,421	897,082
Parks, recreation, and cultural	1,519,339	1,650,414	1,705,296	1,673,714	1,617,467	1,605,290	1,616,495	1,558,028	1,545,578	1,057,553
Community development	566,822	764,987	1,127,264	2,088,168	1,616,597	686,316	588,060	643,567	705,927	577,990
Nondepartmental	677,819	205,324	145,036	119,940	138,342	114,470	113,192	125,312	144,213	359,518
Education	9,304,423	10,077,056	9,851,389	9,853,778	9,738,170	9,566,168	9,422,763	8,991,413	8,844,076	8,796,662
Economic Development Authority	145,141	17,053	16,417	5,000	-	25,000	-	-	-	-
Capital outlay	8,449,930	2,511,266	1,191,561	1,360,988	1,468,075	1,202,670	822,462	991,003	794,678	1,119,347
Debt service										
Principal retirement	2,129,691	2,443,009	2,262,180	2,000,899	1,969,645	2,078,058	1,464,000	886,835	684,426	867,647
Bond issuance costs	264,986	-	567,951	-	-	298,907	-	-	-	310,631
Interest and fiscal charges	1,442,575	1,474,350	1,295,065	1,005,102	842,370	1,128,233	1,163,062	1,190,623	1,124,605	1,266,380
<b>Total expenditures</b>	<b>38,655,069</b>	<b>32,206,426</b>	<b>31,363,971</b>	<b>30,666,811</b>	<b>29,468,705</b>	<b>28,458,197</b>	<b>26,761,512</b>	<b>25,516,760</b>	<b>24,687,875</b>	<b>24,934,148</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(5,172,014)</b>	<b>(759,446)</b>	<b>(105,172)</b>	<b>(175,454)</b>	<b>(758,999)</b>	<b>(586,460)</b>	<b>249,708</b>	<b>57,684</b>	<b>188,608</b>	<b>(595,040)</b>
<b>Other financing sources (uses)</b>										
Transfers in	4,704,223	4,258,588	4,141,866	3,142,671	3,216,988	3,988,485	3,795,075	2,306,958	2,333,090	2,253,807
Issuance of debt, net	3,723,412	-	18,714,856	167,000	127,224	1,085,443	292,057	-	1,734,000	998,972
Transfers out	(4,471,223)	(4,058,588)	(3,949,199)	(2,942,671)	(3,021,155)	(3,838,485)	(3,645,075)	(2,181,958)	(2,203,090)	(2,372,606)
<b>Total other financing sources, net</b>	<b>3,956,412</b>	<b>200,000</b>	<b>18,907,523</b>	<b>367,000</b>	<b>323,057</b>	<b>1,235,443</b>	<b>442,057</b>	<b>125,000</b>	<b>1,864,000</b>	<b>880,173</b>
<b>Net change in fund balances</b>	<b>\$ (1,215,602)</b>	<b>\$ (559,446)</b>	<b>\$ 18,802,351</b>	<b>\$ 191,546</b>	<b>\$ (435,942)</b>	<b>\$ 648,983</b>	<b>\$ 691,765</b>	<b>\$ 182,684</b>	<b>\$ 2,052,608</b>	<b>\$ 285,133</b>
Debt service (1) as a percentage of noncapital expenditures (2)	11.70%	13.18%	11.81%	10.44%	9.95%	11.62%	10.46%	8.58%	7.52%	9.19%

(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 Position.



**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
2021	\$ 1,678,040,300	\$ 102,023,000	\$ 2,018,600	\$ 1,782,081,900	\$ 103,575,500	\$ 1.13	\$ 1,680,154,100	106%
2020	1,561,914,700	101,399,100	2,018,600	1,665,332,400	101,789,500	1.14	1,655,332,400	101%
2019	1,495,634,600	99,817,800	2,018,600	1,597,471,000	102,206,400	1.14	1,616,917,675	99%
2018	1,481,592,900	99,130,100	2,018,600	1,582,741,600	104,112,600	1.07	1,583,888,262	100%
2017	1,422,141,000	108,653,342	2,018,000	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%

Source: Commissioner of the Revenue and City Assessor  
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
2021	\$ 18,928,792	\$ -	\$ 18,928,792	\$ 18,683,713	98.71%	\$ -	\$ 18,683,713	98.71%
2020	18,845,990	(11,424)	18,845,990	18,634,394	98.88%	119,818	18,754,212	99.51%
2019	18,201,313	(5,401)	18,195,912	18,018,710	99.00%	142,130	18,160,840	99.81%
2018	16,950,876	(9,967)	16,940,909	16,857,244	99.45%	65,942	16,923,186	99.90%
2017	16,283,816	15,705	16,299,521	16,136,972	99.00%	148,871	16,285,843	99.92%
2016	16,111,062	12,802	16,123,864	15,942,338	98.87%	169,572	16,111,910	99.93%
2015	16,039,914	942	16,040,856	15,875,158	98.97%	156,260	16,031,418	99.94%
2014	14,492,059	(2,924)	14,489,135	14,338,022	98.94%	144,555	14,482,577	99.95%
2013	13,891,076	(5,000)	13,886,076	13,709,910	98.70%	169,441	13,879,351	99.95%
2012	13,808,493	(7,299)	13,801,194	13,617,311	98.62%	173,618	13,790,929	99.93%

Source: City of Poquoson Treasurer's Department

**Principal Taxpayers - 2021 and Nine Years Ago (Unaudited)**

Taxpayer	Type of Business	2021		2012	
		Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment	Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 10,233,800	0.61%	\$ 9,460,200	0.55%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,350,300	0.44%	6,415,500	0.37%
Poquoson Shopping Center, L.L.C.	Shopping Center	6,054,300	0.39%	4,532,700	0.26%
GPH Poquoson L.L.C.	Nursing Home	5,974,800	0.36%	3,641,600	0.21%
Shamrock Redwood Whitehouse L.L.C.	Mobile Home Park	5,510,500	0.33%	-	0.00%
SNH CHS Properties Trust	Nursing Home	5,038,000	0.30%	-	0.00%
Islander Associates	Apartment Rentals	4,512,300	0.22%	3,444,200	0.20%
SGC Wythe Creek, L.L.C.	Shopping Center	4,414,400	0.27%	4,089,300	0.24%
City of Newport News	Public Service	4,375,200	0.26%	-	0.00%
Universal of Poquoson	Mobile Home Park	3,831,900	0.23%	3,299,000	0.19%
Whitehouse Cove, L.L.C.	Marina / Mobile Home Park	-	-	4,934,100	0.29%
Marque Homes at Poquoson Lakes Inc	Residential Development	-	-	2,896,400	0.17%
Hunt Properties of Poquoson, Inc.	Storage Facilities	-	-	2,671,900	0.16%
		<u>\$ 57,295,500</u>	<u>3.42%</u>	<u>\$ 45,384,900</u>	<u>2.64%</u>

Source: Commissioner of the Revenue and City Assessor

**Computation of Legal Debt Margin (Unaudited)****Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Total assessed value of taxed real property</b>										
General	\$ 1,665,332,400	\$ 1,655,142,200	\$ 1,583,909,200	\$ 1,709,224,591	\$ 1,619,068,342	\$ 1,504,974,300	\$ 1,500,055,080	\$ 1,493,024,330	\$ 1,508,646,060	\$ 1,498,862,620
Public service corporations	21,361,594	21,926,700	22,895,188	22,620,001	22,397,342	20,060,055	18,657,291	19,993,917	18,123,219	20,526,707
<b>Total</b>	<b>\$ 1,686,693,994</b>	<b>\$ 1,677,068,900</b>	<b>\$ 1,606,804,388</b>	<b>\$ 1,731,844,592</b>	<b>\$ 1,641,465,684</b>	<b>\$ 1,525,034,355</b>	<b>\$ 1,518,712,371</b>	<b>\$ 1,513,018,247</b>	<b>\$ 1,526,769,279</b>	<b>\$ 1,519,389,327</b>
<b>Debt limit (10% of total assessed value)</b>	<b>\$ 168,669,399</b>	<b>\$ 167,706,890</b>	<b>\$ 160,680,439</b>	<b>\$ 173,184,459</b>	<b>\$ 164,146,568</b>	<b>\$ 152,503,436</b>	<b>\$ 151,871,237</b>	<b>\$ 151,301,825</b>	<b>\$ 152,676,928</b>	<b>\$ 151,938,933</b>
<b>Debt applicable to debt limit</b>										
General obligation bonds, other than those authorized for a specific revenue producing project	\$ 37,220,997	\$ 35,532,586	\$ 37,882,586	\$ 21,734,586	\$ 23,419,586	\$ 25,104,587	\$ 27,174,645	\$ 28,096,588	\$ 28,619,001	\$ 27,212,000
Capital leases	92,138	192,275	280,592	228,325	-	-	-	-	83,166	163,593
Sewer general obligation bonds	4,548,002	4,935,000	5,450,002	5,940,002	6,410,000	6,855,000	7,220,000	8,000,000	8,305,000	8,605,000
State literary fund loans	-	-	-	250,000	500,000	750,000	1,000,000	1,250,000	1,530,820	1,807,820
	41,861,137	40,659,861	43,613,180	28,152,913	30,329,586	32,709,587	35,394,645	37,346,588	38,537,987	37,788,413
<b>Margin for additional borrowing</b>	<b>\$ 126,808,262</b>	<b>\$ 127,047,029</b>	<b>\$ 117,067,259</b>	<b>\$145,031,546</b>	<b>\$ 133,816,982</b>	<b>\$ 119,793,849</b>	<b>\$ 116,476,592</b>	<b>\$ 113,955,237</b>	<b>\$ 114,138,941</b>	<b>\$ 114,150,520</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>24.82%</b>	<b>24.24%</b>	<b>27.14%</b>	<b>16.26%</b>	<b>18.48%</b>	<b>21.45%</b>	<b>23.31%</b>	<b>24.68%</b>	<b>25.24%</b>	<b>24.87%</b>

**Ratios of Outstanding Debt by Type (Unaudited)****Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type Activities	Total Primary	Median Household	Percentage of Personal	Per
	General Obligation Bonds	Term Loans Payable	Capital Leases	Sewer Bonds	Government	Income (1)	Income	Capita
2021	\$ 37,220,997	\$ -	\$ 92,138	\$ 4,548,002	\$ 41,861,137	N/A	N/A	N/A
2020	35,532,586	-	192,275	4,935,000	40,659,861	N/A	N/A	N/A
2019	41,625,365	-	280,592	5,819,009	47,724,966	\$ 97,118	N/A	\$ 40,258
2018	25,292,387	250,000	228,325	6,359,159	32,129,871	96,831	N/A	40,277
2017	27,282,853	500,000	127,224	6,879,308	34,789,385	88,328	1.0%	2,826
2016	29,273,324	750,000	-	7,374,457	37,397,781	84,643	1.0%	3,044
2015	28,786,818	1,000,000	292,057	7,789,604	37,868,479	83,780	0.9%	3,064
2014	29,843,650	1,250,000	-	8,669,904	39,763,554	83,496	1.0%	3,256
2013	30,500,952	1,530,820	83,166	8,305,000	40,419,938	81,701	1.0%	3,347
2012	28,328,321	1,807,820	163,593	8,971,631	39,271,365	85,033	1.1%	3,195

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
2021	N/A	\$ 1,728,246,736	\$ 37,220,997	1.75%	\$ 2,471
2020	12,466	1,665,332,400	35,532,586	2.13%	2,850
2019	12,395	1,597,471,000	41,625,365	2.61%	3,358
2018	12,320	1,582,741,600	25,542,387	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

Source: <sup>(1)</sup> Weldon Cooper Center for Public Service

<sup>(2)</sup> 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

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

**Demographic Statistics (Unaudited)****Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2) (in millions)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2021	12,475	N/A	N/A	2,077	3.3%
2020	12,373	N/A	N/A	2,118	6.0%
2019	12,395	\$ 4,938	\$ 61,308	2,119	2.5%
2018	12,320	4,731	59,345	2,122	2.7%
2017	12,311	4,529	56,729	2,106	3.5%
2016	12,287	4,334	55,344	2,059	3.5%
2015	12,359	4,367	54,592	2,108	4.1%
2014	12,212	4,205	53,646	2,095	4.7%
2013	12,076	4,069	51,718	2,125	5.3%
2012	12,291	3,931	50,236	2,178	5.8%

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

N/A - This information is not available.

***Principal Employers in Poquoson - 2021 and Nine Years Ago (Unaudited)***

Employment	2021		2012	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	281	15.68%	287	8.70%
City of Poquoson	148	8.26%	151	4.58%
Farm Fresh	N/A	N/A	76	2.30%
Golden Living Center/Bayside	37	2.06%	55	1.67%
Food Lion	89	4.97%	52	1.58%
Surf Rider	38	2.12%	55	1.67%
Dominion Village at Poquoson	29	1.62%	41	1.24%
McDonald's Restaurant	31	1.73%	32	1.30%
Wendy's Restaurant	26	1.45%	27	0.82
Poquoson Veterinary Hospital	24	1.34%	N/A	N/A
Stephen's Office Supply	12	0.67%	21	0.93%
Taylor's Do It Center	16	0.89%	N/A	N/A
	731	40.79%	797	35.17%

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,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government:										
Management services	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20
Finance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Planning	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Building	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Other	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	2.85
Police:										
Officers	28.00	28.50	28.50	26.50	25.50	24.50	23.50	23.50	23.50	22.50
Civilians	2.00	1.75	1.50	1.50	1.50	1.50	1.00	1.00	1.00	1.00
Fire:										
Firefighters and officers	32.00	32.00	32.00	32.00	32.00	30.00	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:	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.10	17.10	16.50
Engineering	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
Other	3.75	3.75	3.00	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	12.45	12.45	11.95	11.95	11.95	11.95	11.95
Utilities	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Total	149.05	149.30	148.30	145.30	144.30	139.80	136.30	135.90	135.90	134.05

Source: Finance Department

**Operating Indicators by Function / Program (Unaudited)****Last Ten Fiscal Years**

Function / Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police (1)										
Physical arrests	218	172	293	263	270	259	225	255	291	307
Parking violations	42	7	16	6	2	8	9	18	41	18
Traffic violations	644	586	660	841	824	714	728	982	1,062	714
Fire (2)										
Emergency responses	2,644	2,293	2,000	2,331	974	1,991	2,228	1,883	2,122	2,028
Fires extinguished	34	23	23	31	24	25	36	14	22	20
Inspections	107	65	113	155	108	182	237	209	240	239
Refuse collection (3)										
Refuse collected (tons)	3194	4810	4364	4421	3,120	2,491	2,338	3,597	2,761	2,184
Recyclables collected (tons)	932	826	1084	1732	2,207	1,102	1,227	1,161	1,282	1,324
Other public works (3)										
Street resurfacing (tons)	8,998	1,632	3,600	2,736	3,317	3,461	1,764	0	2,524	2,991
Library (4)										
Volumes in collection	63,650	64,019	64,117	64,521	66,390	66,922	64,135	62,048	60,811	59,816
Total volumes borrowed	139,098	131,293	160,257	167,759	146,204	185,361	199,695	207,338	199,739	189,719
Wastewater (5)										
Sewer connections	5,087	5,060	5,027	5,029	5,004	4,943	4,910	4,816	4,782	4,816

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	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police (1)									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	33	33	33	29	29	27	27	25	25
Fire stations (2)	2	2	2	2	2	2	2	2	2
Refuse collection (3)									
Collection trucks	6	6	4	4	4	4	4	4	4
Other public works (3)									
Street (miles)	55.24	55.18	55.18	54.9	56.7	54.6	55.3	55.1	55.1
Streetlights	589	589	589	577	577	577	580	575	575
Traffic signals	4	4	4	4	4	4	4	4	4
Park and recreation (4)									
Acreage	63	63	63	63	63	63	63	63	63
Playgrounds	4	4	4	4	4	4	4	4	3
Baseball / softball diamonds	6	6	6	6	6	6	6	6	4
Soccer / football fields	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2
Wastewater (5)									
Sanitary sewers (miles)	65	65	65	65	65	65	65	65	65
Storm sewers (miles)	49.71(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)
Schools (6)									
Schools	4	4	4	4	4	4	4	4	4
School buses	22	23	23	22	22	22	21	21	22

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

Source: (1) City of Poquoson Police Department

(2) City of Poquoson Fire Department

(3) City of Poquoson Public Works Department

(4) City of Poquoson Parks and Recreation Department

(5) City of Poquoson Utilities Department

(6) Poquoson City Public Schools

***This page left blank intentionally***

## ***Compliance Section***

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2021. Our report recognizes that the City implemented one new accounting standard effective July 1, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or under the *Specifications for Audits of Counties, Cities, and Towns*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Cherry Baker LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia  
December 13, 2021

*City of Poquoson, Virginia*

***Schedule of Expenditures of Federal Awards***

**Year Ended June 30, 2021**

<b>Federal Granting Agency / Recipient State Agency / Grant Program</b>	<b>Pass Through Entity Identifying Number</b>	<b>Assistance Listing Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<u>Pass through payments:</u>			
Department of Agriculture and Consumer Services			
Food Distribution Cluster			
Food Commodities		10.569	\$ 38,612
Child Nutrition Cluster:			
Summer Food Service Program for Children	211VA307S9009	10.559	687,992
Total Child Nutrition Cluster			687,992
<b>U.S. Department of Defense</b>			
<u>Direct Payments:</u>			
Promoting K-12 Student Achievement at Military -			
Connected Schools (STEM)	HE12541510024	12.556	6,334
Promoting K-12 Student Achievement at Military -			
Connected Schools (Project Based Learning)	HE12541610044	12.557	75,417
VTSS - Tiered Systems of Support	HE12541810016	12.558	60,692
<b>U.S. Department of the Interior</b>			
<u>Pass through payments:</u>			
Virginia Department of Finance			
COVID-19 Coronavirus Relief - CARES		21.019	1,777,219
Virginia Department of Education			
COVID-19 Coronavirus Relief - CARES		21.019	370,143
Total COVID-19 Coronavirus Relief - CARES			2,147,362
<b>U.S. Department of Transportation</b>			
<u>Pass through payments:</u>			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	FOP-2021-51102-21102; FSC-2020-50366-20366	20.600	5,530
National Priority Safety Programs	FM6OT-2021-2110-21103; M6OT-2020-50362-20362	20.616	5,740
Total Highway Safety Cluster			11,270
<b>U.S. Department of the Treasury</b>			
<u>Direct Payments:</u>			
Plum Tree Island Refuge			2,348
<b>U.S. Department of Education</b>			
<u>Direct payments:</u>			
Impact Aid	S041B-202-5284	84.041	210,940
<u>Pass through payments:</u>			
Virginia Department of Education			
Title I: Grants to Local Educational Agencies	S010A200046	84.010	64,552
Title II: Improving Teacher Quality State Grants	S367A200044	84.367	28,539
Title IV: Student Support and Academic			
Enrichment Program	S424A200048 & S424A190048	84.424	16,085
Special Education (IDEA) Cluster:			
Title VI-B: Assistance to States for			
Education of Handicapped Children:			
Special Education Grants	H027A200107 & H027A190107	84.027	360,307
Preschool Handicapped	H173A200112	84.173	5,045
Total Special Education (IDEA) Cluster			365,352
Vocational Education-Basic Grants to States	V048A200046	84.048	17,150
Elementary and Secondary School Emergency Relief Fund	S425D200008	84.425D	96,134
<b>U.S. Department of Homeland Security</b>			
<u>Pass through payments:</u>			
Virginia Department of Emergency Management			
Local Emergency Management Performance Grant	8365	97.042	7,500
Assistance to Firefighters	EMW-2019-FG-07247	97.044	162,400
Port Security Grant Program	EMW-2018-PU-00216; EMW-2019-PU-00486	97.056	26,670
Homeland Security Program Grant	8133	97.067	527
			<u>\$ 4,025,876</u>



## ***City of Poquoson, Virginia***

### ***Notes to Schedule of Expenditures of Federal Awards***

---

***Year Ended June 30, 2021***

---

#### **Note 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).

#### **Note 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, 2021, the food service organization had food commodities totaling \$17,147 in inventory.

#### **Note 3—Relationship to the financial statements**

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

General Fund	\$ 1,989,609
Schools	1,999,330
Donated commodities	<u>36,937</u>
Total federal awards reported in the basic financial statements	<u>\$ 4,025,876</u>

#### **Note 4—Subrecipients**

The City does not have any subrecipients.

#### **Note 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).

**Report of Independent Auditor on Compliance for the Major 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 the 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, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for 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 the 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, 2021.

**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 a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a 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 a 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.

A handwritten signature in black ink, reading "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia  
December 13, 2021

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

---

Year Ended June 30, 2021

---

**A. Section I – Summary of Auditor’s Results**

1. The type of report issued on the basic financial statements: **Unmodified**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major federal programs were:

**CFDA Number**

**Name of Federal Program and Cluster**

21.019

CARES Act

10. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
11. City of Poquoson was qualified as a low-risk auditee under Section 530 of Uniform Guidance? **No**

**B. Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None reported.

**C. Section III – Findings and Questioned Costs Relating to Federal Awards**

None reported.

**D. Section IV – Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants**

None reported.

**E. Section V – Status of Prior Year Findings**

None reported.

***This page left blank intentionally***