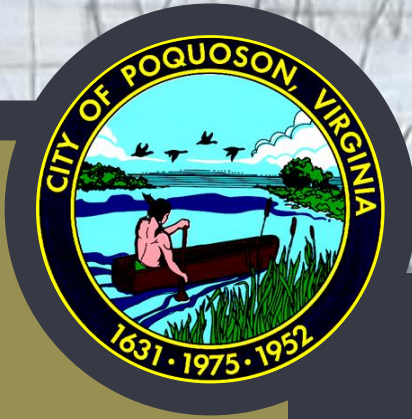




CITY OF
POQUOSON
VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR
JULY 1, 2022 – JUNE 30, 2023

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CITY OF POQUOSON, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

June 30, 2023

Prepared by:

The Department of Finance

Tara Woodruff, Finance Director

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INTRODUCTORY SECTION

CITY OF POQUOSON, VIRGINIA
Government Officials

CITY COUNCIL

Gordon C. Helsel, Jr., Mayor
Carey L. Freeman, Vice Mayor
Debra D. Bunting
Anjie L. Emmett
Keith A. Feigh
David A. Hux
Charles M. Southall, III

CITY OFFICIALS

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

SCHOOL BOARD

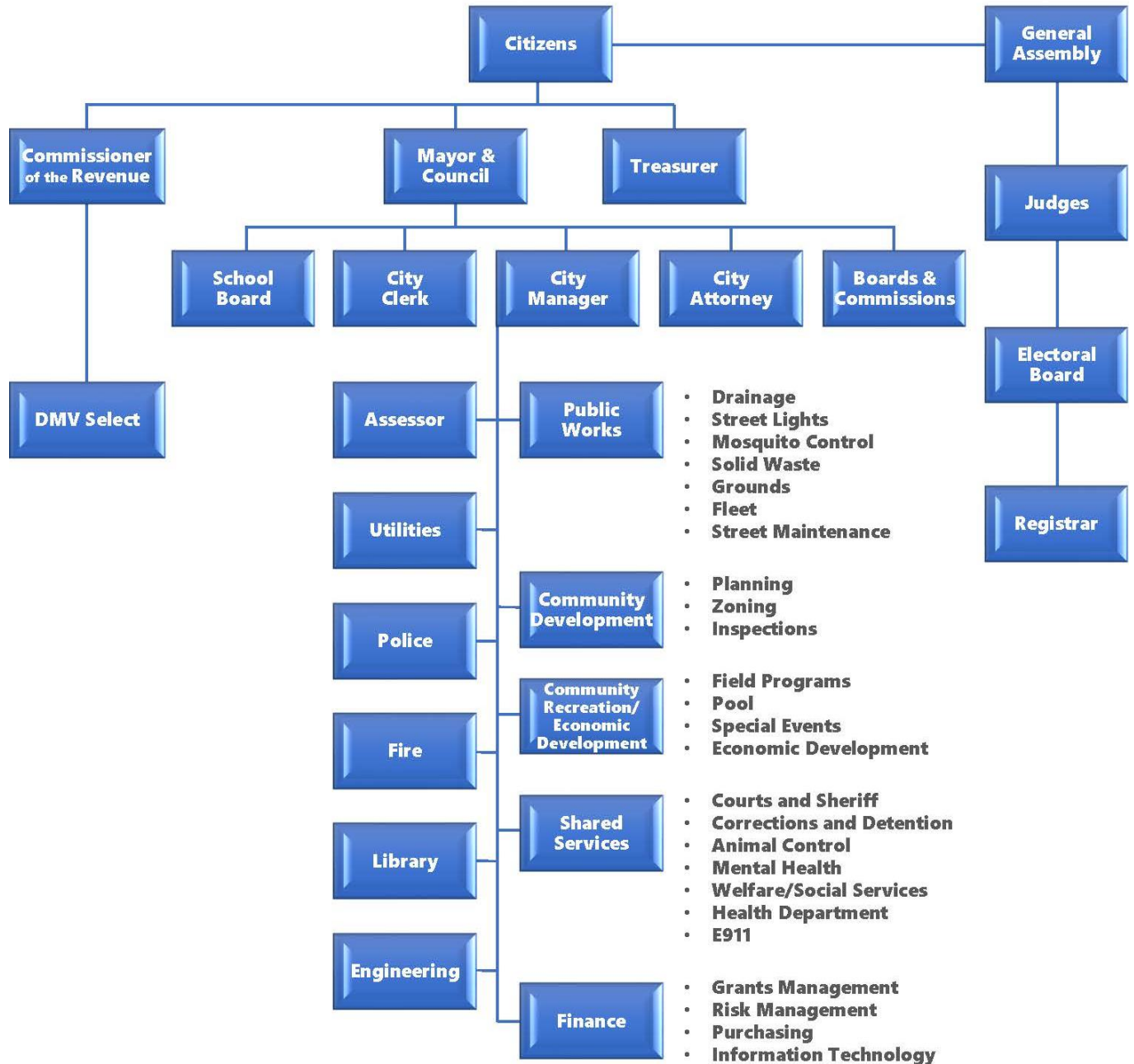
Shannon L. Martin, Board Chair
Dr. Christopher Burbage, Board Vice Chair
Cameron J. Childress
Michael DuBose
Dr. Timothy A. Goodale
Jonathan T. Ingram

SCHOOL OFFICIALS

Arty Tillett, Superintendent
Amber Brown, Assistant Superintendent for Instruction and Support Services
Brandon Ratliff, Ed.D., Assistant Superintendent for Operations
Tracy Spence, CPA, Executive Director of Finance

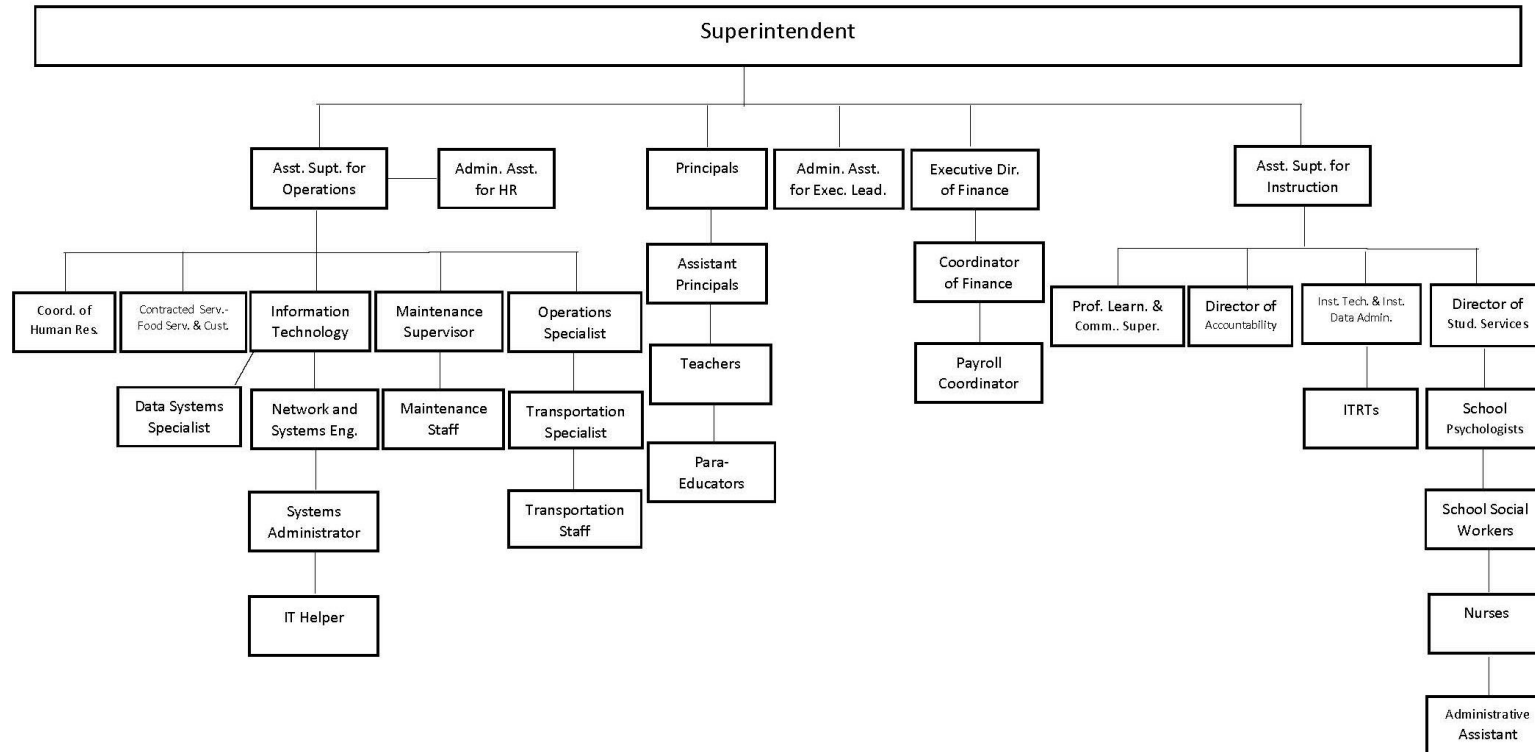
City of Poquoson

City Government Organization Chart



POQUOSON CITY PUBLIC SCHOOLS

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Poquoson
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell

Executive Director/CEO



CITY OF POQUOSON

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

City Manager's Office

December 7, 2023

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Poquoson (City) for the fiscal year ended June 30, 2023. An ACFR is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and audited in accordance with *Government Auditing Standards* and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

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

Brown, Edwards & Company, L.L.P. Certified Public Accountants, has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2023. The unmodified report of Brown, Edwards & Company L.L.P., the highest possible result of the audit process, is located at the front of the financial section of this report.

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

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

Profile of the City of Poquoson

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

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

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

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

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

The annual budget serves as the foundation for the City of Poquoson's financial planning and control. All agencies and departments of the City of Poquoson are required to submit requests for appropriation to the City Manager in January. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager presents a proposed budget to City Council for review in April. The Council is required to hold a public hearing on the proposed budget and must adopt a final budget no later than May 31. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds and additional appropriations require approval of City Council. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and therefore do not lapse after year-end. The budget-to-actual comparison for the General Fund starts on page 84 of the report.

Local Economy

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

The City is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles and shoreline area of 87 miles, and according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,582.

The City remains stable in sales, real estate and personal property taxes. Sales of property have continued to trend in a positive direction.

The City has direct access to leading employment sites including NASA's Langley Research Center, Joint Base Langley-Eustis and Huntington Ingalls Industries, Inc. Local unemployment for the City remains below the state and national averages. According to the Bureau of Labor Statistics, the most recent annual average for City's unemployment rate is 2.5% which increased slightly from the prior year's rate of 2.4%. The City's unemployment rate of 2.5% is below the national and state average of 3.6% and 2.9%, respectively, for the same period of time.

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

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

Moody's affirmed the City's existing Aa2 credit rating and assigned an enhanced Aa1 rating to 2018 General Obligation Bonds based on the City's strong underlying fundamentals plus the enhancement of the Virginia state aid intercept program. Moody's issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds. The "Aa" rating is the second of nine such ratings and Moody's describes it as "obligation rated Aa are judged to be of high quality and are subject to very low credit risk". Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates the issuer ranks in the high end of its generic category while the modifier 3 indicates a ranking in the lower end of the generic category. As of November 2022, Moody's reaffirmed the City's existing Aa2 credit rating.

Long-term Financial Planning

Annual Financial Plans (Budget) and Constrained Capital Improvement Plans (CCIP) are adopted annually, taking into consideration input from all organizational levels of the City. The long-term revenue, expenditure and service implication of continuing or ending existing programs or adding new programs, services, and debt are considered while formulating budgets annually. The City assesses the condition of all major capital assets, including buildings, roads, sewer lines, vehicles, and equipment annually. The Planning Commission recommends adoption of the Constrained Capital Improvement Plan; the document then goes to City Council for final approval. Although the CCIP is intended to be a commitment to a multi-year capital improvement program, it is fundamentally a planning document and subject to annual modifications as priorities, available funding and other factors create a need for revision. The City also utilizes a Master Infrastructure Plan which is designed to be the planning bridge between the 5 year CCIP and the 20 year Comprehensive Plan.

Relevant Financial Policies

In October 2009, the City formally adopted a series of financial policy guidelines and in June 2011 modified these policies to incorporate GASB 54. The policies include debt policies as well as fund balance policies. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times, therefore one of the fund balance policies adopted included maintaining a minimum unassigned fund balance of 12%-15% of the current year budgeted expenditures. The unassigned fund balance at the end of the year was 30.9% of budget expenditures and transfers out, well above the adopted policies.

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

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

Major Initiatives

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

The Poquoson Police Department continued two Community Engagement events during 2023. The two events were 911 Leadership Camp and Safety Town (formerly Bicycle Rodeo). Each event had two sessions with a total of approximately 50 youth from our community involved. These events allowed the Police Department to not only build relationships with the children in our community but the entire family as well.

During FY 2023, the design was completed for the Public Safety Building and site work began in November 2023. The Public Safety Building will be an approximately 20,000 square foot building constructed at the entrance of City Hall Avenue, and will include the Police Department, Fire Administration and Emergency Management/Operations Center. Funding from the American Rescue Plan Act (ARPA) and bond issuance will support this new building.

The City processed the final plat for the first section of the Legacy of Poquoson Phase I and land values went into effect July 1, 2023. It consists of one hundred forty-six attached townhome and detached residences. Phase I, Section I includes eighty lots (fifty-seven townhomes and twenty-three single-family residences), most of which are under contract for sale. Phase I, Section 2 adds the remaining sixty-six lots (eighteen single-family residences and forty-eight townhomes). Plans for Phases II and III of the Legacy of Poquoson project, consisting of one hundred seventy-two detached single-family homes, have been approved. An amendment to sell City owned properties to the Big Woods Development is incorporated into the second amendment. As part of the Legacy project, the City Council approved a proffer amendment to delay construction of the clubhouse, four conditional use permit amendments to modify buffer requirements and a rezoning amendment to provide a wider range of architectural styles for townhomes.

The City approved plans for an apartment complex at the front of the Legacy project. Development plans for the site indicate there will be one hundred seventy-six units in five buildings. This site is included in the Legacy project and is owned by a separate entity. Construction has begun on four of the five apartment buildings, as well as the clubhouse.

During FY 2023, the traffic signal design began for the Legacy of Poquoson project, which should be finished in January 2024. It is anticipated that the advertisement for bids on this project will occur in Spring 2024.

Construction has also begun on the 21-lot subdivision on Darden Drive, known as Bull Run Manor. This project is being built by Ryan Homes, and all sites in this subdivision have been sold.

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

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

The City 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 an approximate total of \$294,000 in annual insurance payments. It is anticipated that the City will move to Class 7, which is equal to a 15% discount and would save residents approximately an additional \$147,000 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 portion of the above mentioned 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 was initially advertised in November of 2021, but the bids came in higher than expected. The City has continued to work with the City of Hampton and VDOT to identify options to move this project forward. The project was re-advertised in November 2023 with bids due in January 2024.

Construction has been completed on a new walking trail for South Lawson Park and provides a much better walking area for the park. Additionally, a new basketball court was completed in July 2023 and permanent restrooms will be added to the park in December 2023. These additions will complement all of the many new features going into the recreational facility.

The Utilities Department began working on back-up generator replacements for two pump stations. The City has 28 of 29 pump stations with a back-up generator. The remaining station does not have enough property to have a permanent generator installed. We have also completed the force main relocation project that we cost shared with HRSD.

The Library continues to provide a variety of services for Poquoson residents, including in-person classes and events, meeting room reservations as well as computer use. Throughout the year, the library provided in person classes and events for youth with 5,755 attendees at programs for children and teens, which was a 27% increase over the previous year. Patrons have returned to the library with enthusiasm following the pandemic, and the library saw an 11% increase in visits over the previous year, with 65,218 total visitors. The library was also able to process 27% more passports than in FY 2022, completing 1,759 applications for new passports. Computer usage was also up about 5% this year, with 7,538 wi-fi and computer sessions by the public at the library in FY 2023. Meeting room usage was provided for 1,319 reservations, and new library card registrations increased by 11% over FY 2022 with 1,192 new library card holders for the year.

The Community Recreation Department continued to coordinate programs throughout the year that were very popular with Poquoson residents, which included the second annual Great Poquoson Turkey Hunt Contest (a family-friendly scavenger hunt to locate wooden turkey displays hidden throughout the City), and a “Letters to Santa” campaign with two official “mailing stations”. These programs are in addition to the successful youth and adult athletic programs and other classes, camps and workshops that are offered.

In support of the Poquoson business community, the Economic Development Office administrated several business assistance grant programs. During FY 2023, through funding provided by the American Rescue Plan Act (ARPA), the City’s Economic Development Office has administrated grant programs which provided \$125,000 to Poquoson businesses. In an effort to promote local business, the City hosts Shop and Dine events where businesses offer specials and open houses to encourage shopping and dining locally.

Awards and Acknowledgements

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

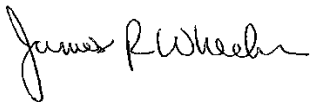
Poquoson City Public Schools (PCPS) was fully accredited by the Virginia Board of Education, meaning the school division and each school met standards of learning benchmarks in reading, writing, math, science and attendance, and the high school met benchmarks for graduation and completion rates. PCPS continues its strong tradition of excellence, ranking among the top school divisions in the Commonwealth for academic performance, while offering a wide variety of extracurricular activities and competitive interscholastic athletic programs.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 35th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Adopted Budget for FY 2023 for the 31st 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



Tara Woodruff
Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Notes 1, 7, 8 and 20 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poquoson, Virginia's basic financial statements. The accompanying other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 7, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Fiscal Year July 1, 2022 – June 30, 2023



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, 2023. 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

- The City has continued to maintain a strong financial position for both its governmental and business-type funds. The City continued to provide service and commitment to the citizens which reflected on the irrepressible practices of the City to ensure sound 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, 2023, by \$46.1 million (net position). The City's Primary Government total net position increased by \$5.6 million from the prior year.
- As of June 30, 2023, the unassigned fund balance for the General Fund was \$10.3 million or 30.9% of total General Fund expenditures and transfers out.
- The City's total debt outstanding at June 30, 2023, was \$43.6 million for all funds which is an increase overall of \$2.4 million from the prior year. The City issued \$4 million in new debt during FY 2023 to finance a portion of a new Public Safety Building.
- 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 \$165,831.
- The City maintains \$1 million in the revenue stabilization reserve which was established by City Council.
- During FY 2023, the City implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements*. See Notes 1, 7, 8, and 20 for further information.

(Continued)

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Summary of Statement of Net Position As of June 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Current and other assets	\$ 38,810,968	\$ 32,938,267	\$ 5,850,395	\$ 4,397,419	\$ 44,661,363	\$ 37,335,686
Capital assets	55,466,921	53,017,109	8,905,186	9,448,678	64,372,107	62,465,787
Total assets	94,277,889	85,955,376	14,755,581	13,846,097	109,033,470	99,801,473
Deferred outflows of resources	3,057,023	4,105,804	100,624	133,895	3,157,647	4,239,699
Total assets and deferred outflows	\$ 97,334,912	\$ 90,061,180	\$ 14,856,205	\$ 13,979,992	\$ 112,191,117	\$ 104,041,172
Current and other liabilities	\$ 17,306,227	\$ 13,154,079	\$ 816,967	\$ 895,846	\$ 18,123,194	\$ 14,049,925
Long-term liabilities	40,748,231	37,734,977	2,852,832	3,426,193	43,601,063	41,161,170
Total liabilities	58,054,458	50,889,056	3,669,799	4,322,039	61,724,257	55,211,095
Deferred inflows of resources	4,105,256	7,922,534	228,884	401,768	4,334,140	8,324,302
Total liabilities and deferred inflows	\$ 62,159,714	\$ 58,811,590	\$ 3,898,683	\$ 4,723,807	\$ 66,058,397	\$ 65,535,397
Net investment in capital assets	\$20,195,716	\$ 19,335,724	\$ 5,464,333	\$ 5,342,928	\$ 25,660,049	\$ 24,678,652
Restricted	1,672,679	2,118,295	-	34,070	1,672,679	2,152,365
Unrestricted	13,306,803	9,795,571	5,493,189	3,879,187	18,799,992	13,674,758
Total net position	\$ 35,175,198	\$ 31,249,590	\$ 10,957,522	\$ 9,256,185	\$ 46,132,720	\$ 40,505,775

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$46.1 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 \$25.7 million. The City uses these capital assets to provide services to citizens; and thus, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net position of \$18.8 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 \$3.9 million and the business-type activities increased by \$1.7 million during FY 2023. The increase of net position of the governmental activities is due to many factors to include better than expected revenue associated with general property and local taxes and increased investment earnings, as well as less than expected expenses which can be attributed to many factors such as vacancies.

The net position of the business-type activities is due to less than expected expenses in both the Sewer and Solid Waste Funds. Additionally, the Sewer Fund has collected additional sewer availability fees during FY 2023, which is primarily related to the new Legacy development.

(Continued)

Summary of Changes in Net Position

June 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,670,829	\$ 1,394,786	\$ 3,013,001	\$ 3,050,587	\$ 4,683,830	\$ 4,445,373
Operating grants and contributions	1,924,542	1,703,649	-	-	1,924,542	1,703,649
Capital grants and contributions	4,253,637	874,441	-	-	4,253,637	874,441
General revenues:						
Real estate and personal property taxes	26,526,866	25,983,555	-	-	26,526,866	25,983,555
Other local taxes	3,731,837	3,611,206	-	-	3,731,837	3,611,206
Reimbursements from other agencies	211,413	173,571	-	-	211,413	173,571
Miscellaneous	87,510	130,081	1,550,645	106	1,638,155	130,188
Unrestricted investment earnings	1,352,648	87,811	49,760	48,279	1,402,408	136,090
Total revenues	\$ 39,759,282	\$ 33,959,101	\$ 4,613,406	\$ 3,098,972	\$ 44,372,688	\$ 37,058,073
Expenses:						
General government	\$ 7,676,967	\$ 3,106,109	\$ -	\$ -	\$ 7,676,967	\$ 3,106,109
Public safety and judicial	9,848,237	8,604,872	-	-	9,848,237	8,604,872
Public works	3,752,924	3,092,069	-	-	3,752,924	3,092,069
Health and welfare	1,128,095	986,273	-	-	1,128,095	986,273
Education	9,513,223	11,101,660	-	-	9,513,223	11,101,660
Parks, recreation, cultural	2,161,907	1,336,154	-	-	2,161,907	1,336,154
Economic Development Authority	145,786	21,000	-	-	145,786	21,000
Community development	659,427	557,876	-	-	659,427	557,876
Interest and fees on long-term debt	1,247,108	1,027,962	-	-	1,247,108	1,027,962
Sewer	-	-	1,421,371	1,279,528	1,421,371	1,279,528
Solid waste	-	-	1,190,698	1,130,131	1,190,698	1,130,131
Total expenses	36,133,674	29,833,975	2,612,069	2,409,659	38,745,743	32,243,634
Change in net assets before transfers	3,625,608	4,125,126	2,001,337	689,313	5,626,945	4,814,439
Transfers	300,000	250,000	(300,000)	(250,000)	-	-
Increase in net position	3,925,608	4,375,126	1,701,337	439,313	5,626,945	4,814,439
Net position, beginning of year	31,249,590	26,874,464	9,256,185	8,816,872	40,505,775	35,691,336
Net position, end of year	\$ 35,175,198	\$ 31,249,590	\$ 10,957,522	\$ 9,256,185	\$ 46,132,720	\$ 40,505,775

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

	FY 2023	FY 2022
Real estate tax revenue	\$ 19,614,974	\$ 19,791,142
Public service corporation taxes	269,567	270,921
Personal property taxes	6,446,998	5,762,602
Penalties and interest	195,327	158,890
Total	\$ 26,526,866	\$ 25,983,555

Real estate tax revenue was slightly higher in FY 2023 as compared to FY 2022; however, there was a decrease in the change in deferred taxes over the prior year. Overall, the increase was from new homes and improvements since the reassessments of property that began in FY 2022. The City's real estate property tax assessments were \$1,796,949,800 and \$1,782,081,900 for FY 2023 and FY 2022, respectively. The City's real estate tax rate was \$1.13 per \$100 of assessed value in FY 2023 and FY 2022.

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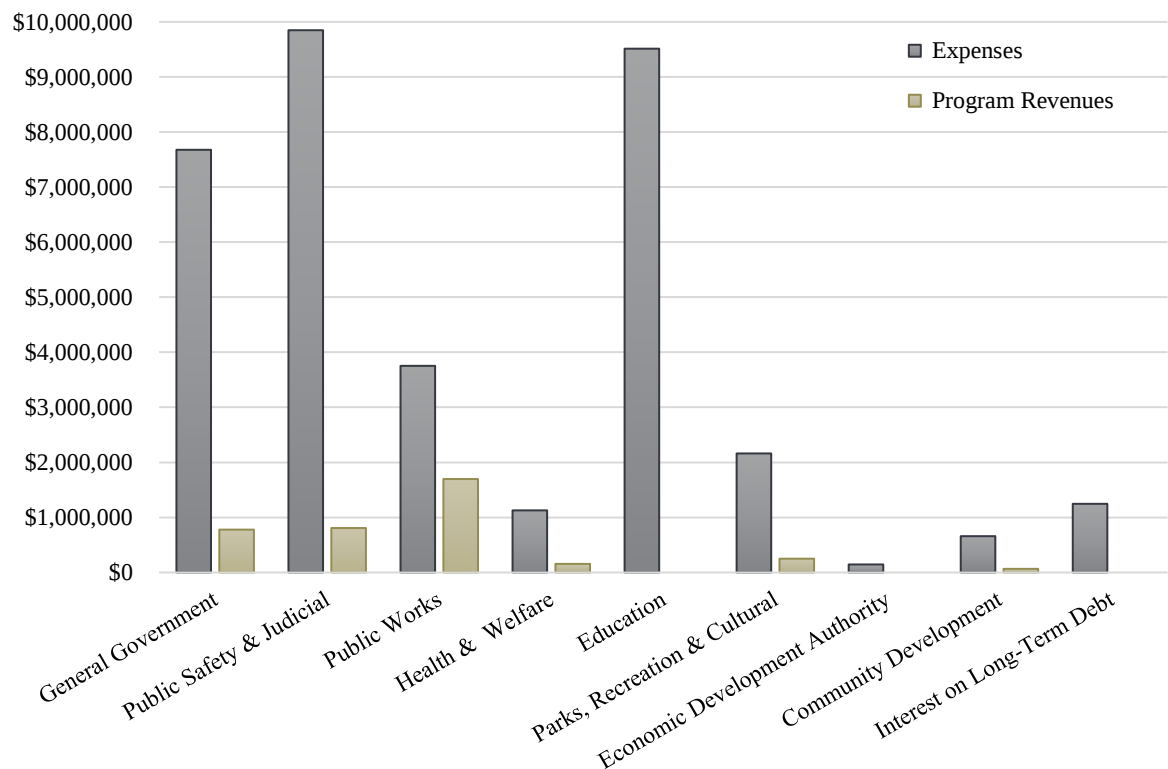
The City's personal property tax assessments were \$181,866,810 and \$180,912,510 for FY 2023 and FY 2022, respectively. In FY 2023 and FY 2022, the City's personal property tax rate was \$4.15 per \$100 of assessed value for vehicles. Personal property for the second half of the 2022 calendar year experienced an anomaly. The automobile industry experienced an average increase of 38% in the value of automobiles and trucks due to shortage in workers and key materials needed in all vehicles. Due to the increase, the City Council approved for the calendar year 2022 to lower the assessed value of automobiles and trucks from 100% to 90% of value for the calculation of personal property tax.

For boats and recreational vehicles, the tax rate was \$0.00001 per \$100 of assessed value for boats and \$1.50 per \$100 of assessed value for recreational vehicles for FY 2023 and FY 2022. In FY 2023 and FY 2022, the City's tax rate for mobile homes was \$1.13 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 2023 and FY 2022.

Other local taxes were \$3.7 million and \$3.6 million for FY 2023 and FY 2022 and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes, and a variety of other taxes.

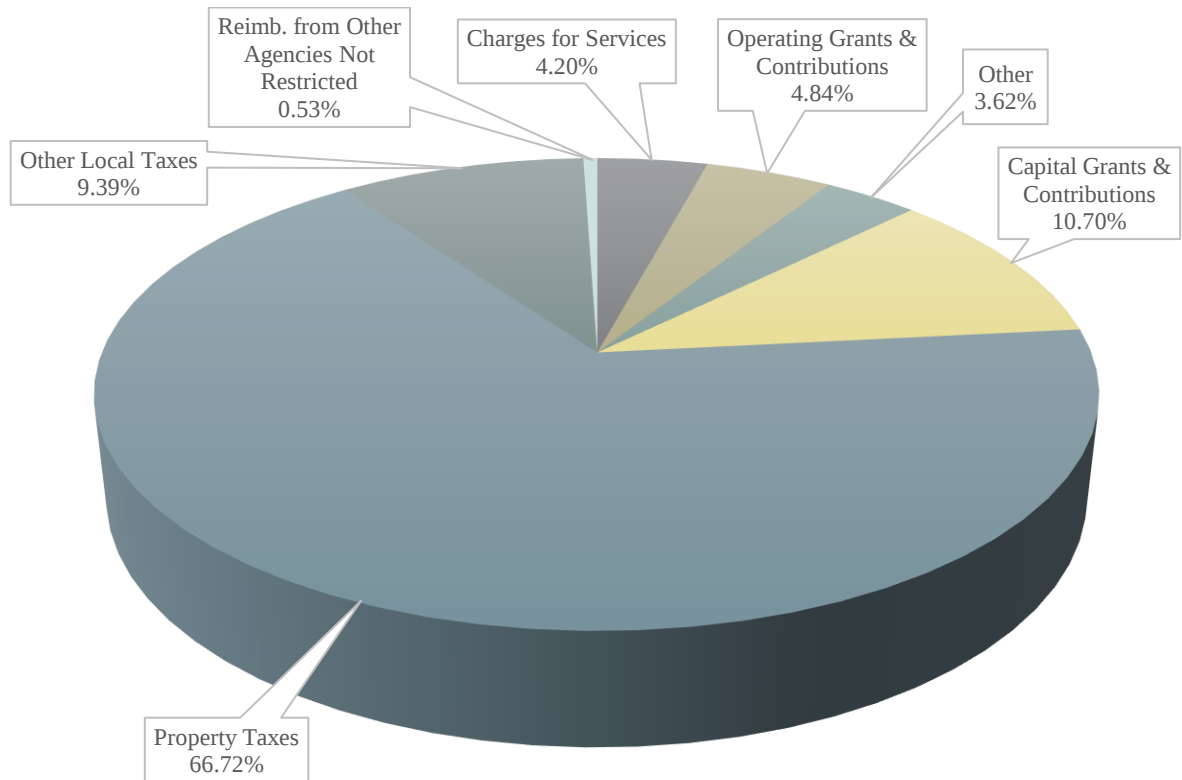
For FY 2023, expenses for governmental activities totaled \$36.1 million, including an expense of \$9.5 million to Poquoson City Public Schools (PCPS). For FY 2022, expenses for governmental activities totaled \$29.7 million, including an expense of \$11.1 million to PCPS.

Expenses and Program Revenues - Governmental Activities



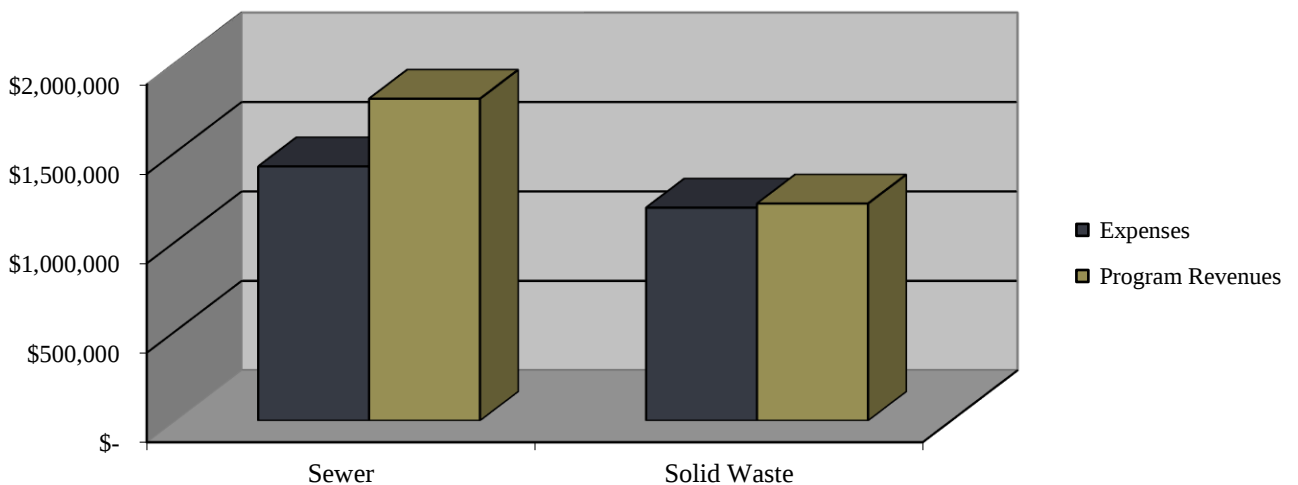
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Revenues by Sources - Governmental Activities



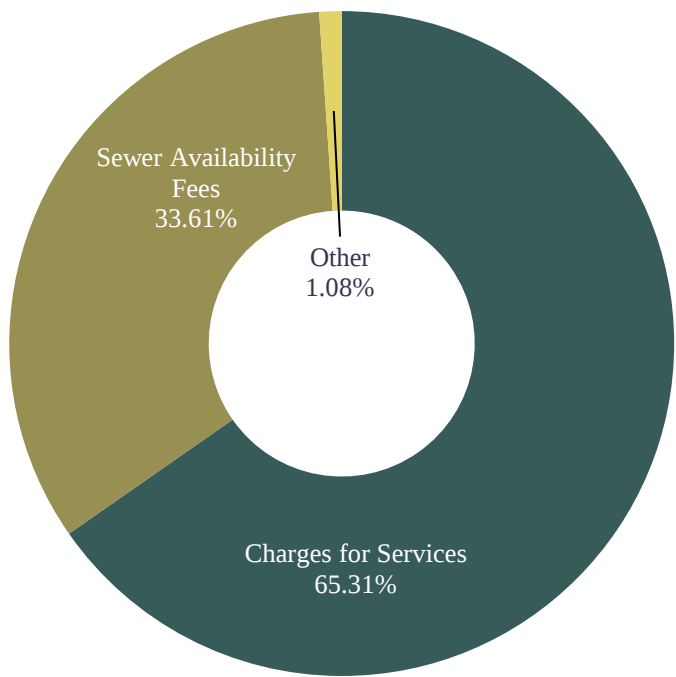
Business-type Activities. Business-type activities increased the City's net position before transfers by \$2.0 million and increased the net position by \$1.7 million after transfers. This increase in net position can be attributable to less than expected expenses for both the Sewer and Solid Waste Funds, as well as additional revenue in the Sewer Fund from sewer availability fees related to new construction. The Sewer Fund refinanced a long-term debt which provided savings attributed to interest and Solid Waste Fund anticipated higher cost associated with waste disposal.

Expenses and Program Revenues - Business-Type Activities



(Continued)

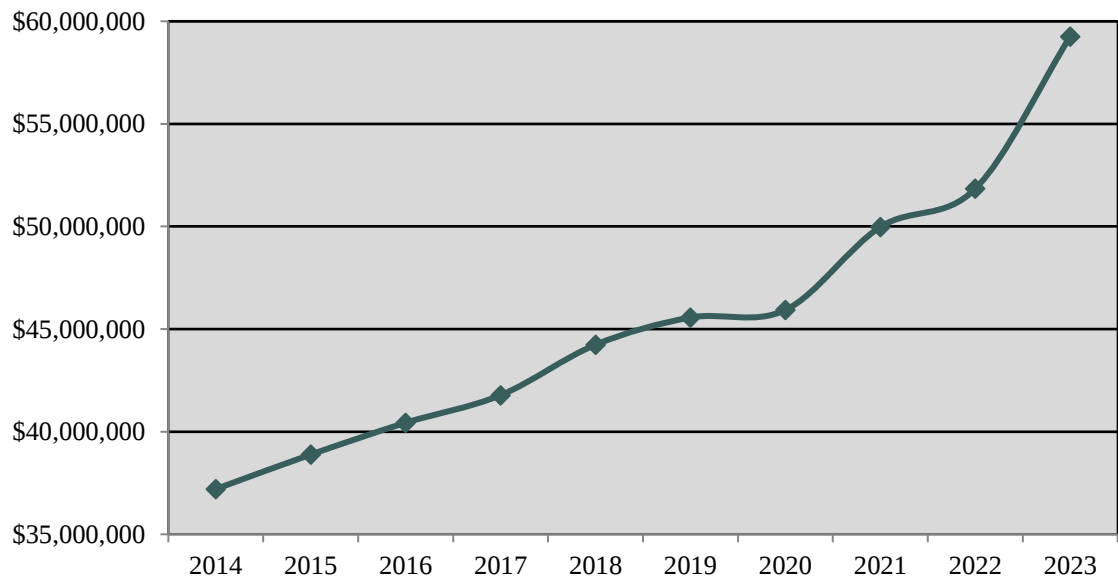
Revenues by Source - Business-Type Activities



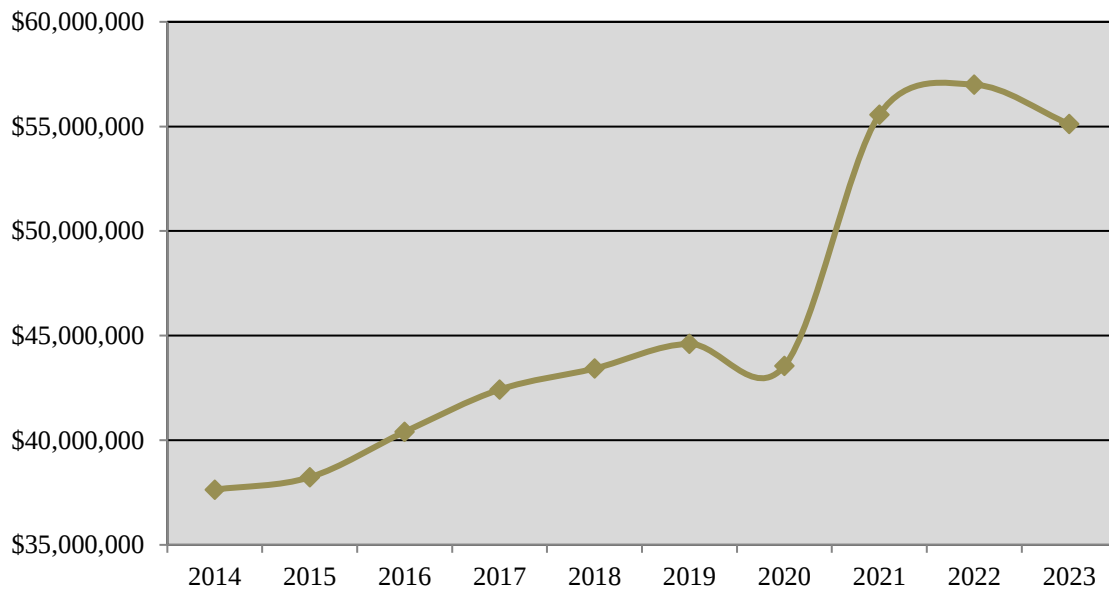
Financial Analysis of the Governmental Funds

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

General Governmental Revenues



General Governmental Expenditures



General Fund. The General Fund is the chief operating fund of the City. At the end of fiscal year 2023, the fund balance in the General Fund totaled \$15.2 million and had an overall increase of \$2.4 million over FY 2022. This was primarily attributed to increases in general property and local tax revenues and investment earnings, as well as decreased expenditures primarily due to personnel vacancies during the year. The unassigned fund balance for the General Fund was \$10.3 million or 30.9% of total General Fund expenditures and transfers out.

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 2023, capital project expenditures of \$4.9 million included for assessment software upgrades, public safety equipment, park improvements, school buses, addition of a traffic loop at Poquoson High School and press box at the Poquoson Middle School athletic field, costs for highway and drainage improvements, and the continuing cost to renovate the Poquoson Middle School which was completed September 2022.

Debt Service Fund. The Debt Service Fund is used by the City to account for the accumulation of resources for the repayment of long-term debt of the governmental funds. The primary source of funding is transfers from the General Fund.

Grants Special Revenue Fund. The Grants Special Revenue Fund is used by the City to account for revenues and expenditures related to State and Federal grants. For FY 2023, the Grants Special Revenue Fund expenditures were related to use of the American Rescue Plan Act (ARPA) funds. These expenditures totaled \$3.4 million for fire turnout gear and medical equipment, expansion of the wi-fi and fiber ring throughout the City, drainage improvement projects, server upgrades, Poquoson Primary School HVAC replacement and architectural and design costs for the new Public Safety Building.

(Continued)

General Fund Budgetary Highlights

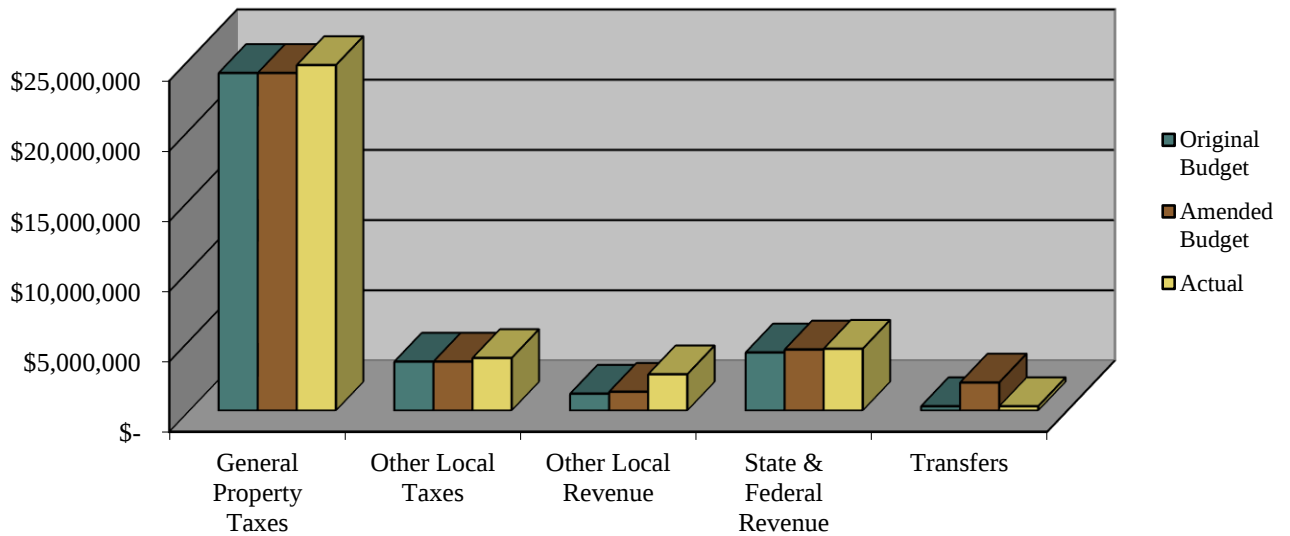
The City uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit L. The City records actual revenues and expenditures using accounting principles generally accepted in the United States of America (U.S. GAAP), with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit L, the non-GAAP budgetary expenditures are reconciled to the U.S. GAAP statements. The budget differences of \$2.03 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$0.32 million appropriation to risk management for employee one-time special pay compensation
- \$0.45 million to the Police Department from re-appropriation of restricted revenue received in FY 2022 and new revenue received in FY 2023 from grants and donations, including the addition of two new School Resource Officers in the schools
- \$0.12 million to the Fire Department from re-appropriation of restricted revenue received in FY 2022 and new revenue received in FY 2023 from grants
- \$0.70 million additional transfer to the PCPS for the prior year unspent transfer to provide additional funding towards security enhancements, athletic equipment and for employee one-time special pay compensation
- \$0.05 million to the Library Department from re-appropriation of restricted revenue received in FY 2022 and revenue received for donations and state allocation in FY 2023
- \$0.08 million to the Building Maintenance Division from re-appropriation of restricted revenue received in FY 2022 and new revenue in FY 2023
- \$0.03 million to the Public Works Department for appropriation of new revenue
- \$0.04 million to the Community Development Department for appropriation of new revenue and grants
- \$0.08 million to Parks and Recreation for appropriation of new revenue and grants
- \$0.16 million appropriation to provide transfer to the Capital Project Fund for the purchase of school buses.

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.

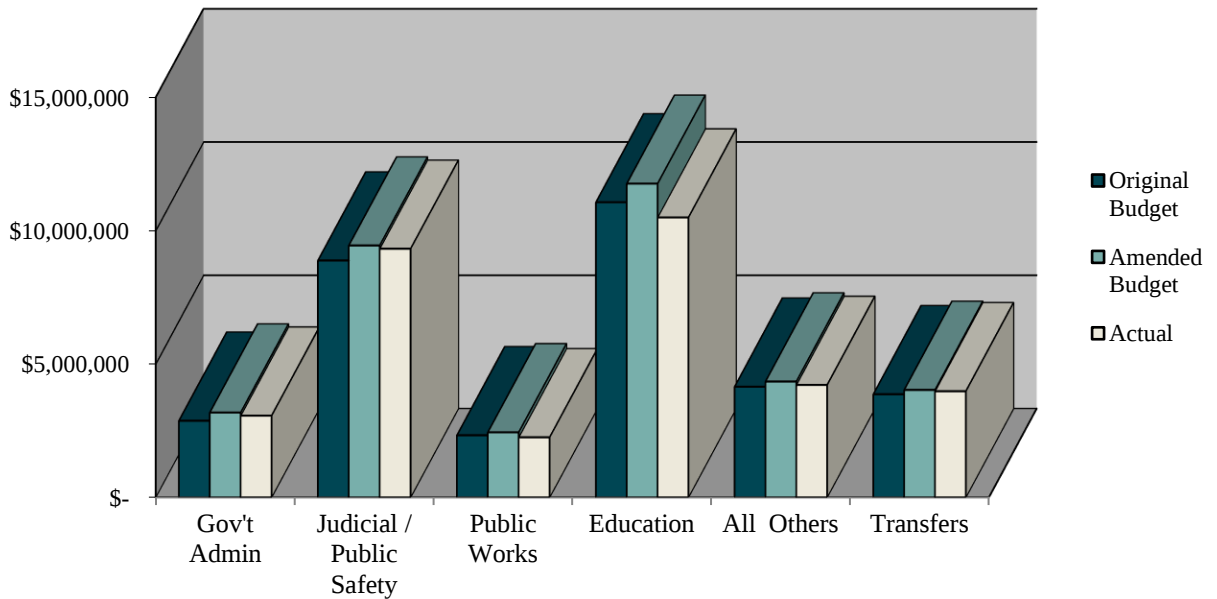
The budgetary comparison can be found on Exhibit L. For budgetary purposes, the City includes encumbrances outstanding at year-end in expenditures, which is not in accordance with U.S. GAAP. A reconciliation of budgetary basis to U.S. GAAP is also shown on Exhibit L.

General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues and other financing sources of \$35.6 million exceeded the original budget by \$2.5 million and was more than the amended budget by \$0.4 million. It should be noted that the City budgeted \$1.7 million for use of the fund balance, which is not included in the actual revenue for General Fund. The increase in revenues from the amended budget is additional revenue from local sources of taxes and permit fees.

General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$33.3 million were less than the amended budget by \$1.9 million and slightly above the original budget by \$0.2 million. The decrease in expenditure from the amended budget is a result of vacancies within the City and a reduction in operating expenditures.

(Continued)

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, 2023, amounted to \$64.4 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 assets to the City, if the City has outstanding debt on the school buildings.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Land	\$ 3,807,229	\$ 3,452,916	\$ 217,666	\$ 217,666	\$ 4,024,895	\$ 3,670,582
Land improvements	2,062,547	2,203,058	-	-	2,062,547	2,203,058
Construction in progress	1,132,755	17,430,509	-	138,700	1,132,755	17,569,209
Buildings	3,335,590	3,728,019	80,988	88,702	3,416,578	3,816,721
Building improvements	270,881	243,063	-	-	270,881	243,063
Infrastructure	6,497,565	6,671,728	-	-	6,497,565	6,671,728
Machinery and equipment	3,295,940	3,415,597	986,899	926,924	4,282,839	4,342,521
Subscription asset	53,699	-	-	-	53,699	-
Sewer system	-	-	7,619,633	8,076,686	7,619,633	8,076,686
Allocated school buildings	35,010,715	15,872,219	-	-	35,010,715	15,872,219
	<u>\$ 55,466,921</u>	<u>\$ 53,017,109</u>	<u>\$ 8,905,186</u>	<u>\$ 9,448,678</u>	<u>\$ 64,372,107</u>	<u>\$ 62,465,787</u>

Debt Administration. Total outstanding general obligation debt at June 30, 2023 was \$39.8 million of which \$36.5 million is considered to be net direct tax supported debt. Included in the total debt are \$614 in leases and \$36.5 million in bonds. The remaining \$3.3 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund. The net change in fund balance was the result of City Council appropriating the use towards capital improvement projects in the Capital Project Fund.

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, 2023, debt limitation for the City is \$181.8 million, which is significantly in excess of the City's \$39.8 million outstanding net direct bonded debt.

Net Direct Tax Supported Debt General Governmental Activities

	FY 2023	FY 2022
Net direct bonded debt	\$36,525,000	\$34,941,000
Ratio of outstanding direct debt to assessed value	2.03%	1.96%

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

(Continued)

Economic Factors and Next Year's Budgets and Rates

The FY 2024 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2024 adopted budget reflected the increase in real estate tax revenue due as a result of reassessments effective July 1, 2023, and growth in new homes and developments for the year.
- The FY 2024 adopted budget reduced the real estate tax rate by two cents to \$1.11 per \$100 of assessed value.
- The FY 2024 adopted budget did, to the greatest extent possible, continue City services/programs at their current levels.
- The FY 2024 adopted budget slightly exceeded the School Superintendent's requested budget to include funding for a 7% compensation increase and five new positions.
- The FY 2024 adopted budget provided for a pay compensation increase for City employees of 7% and three new police positions.
- The FY 2024 adopted budget provided continuing funding for annual public safety physical examinations for each of our sworn public safety officers making the third year in which these examinations are offered.
- The FY 2024 adopted budget provided funding for three additional police and three additional fire positions effective January 1, 2024.
- The FY 2024 adopted budget increased the solid waste fee and decreased the sewer fee by \$5 per billing cycle.
- The FY 2024 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.

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:

Tara Woodruff
Finance Director
500 City Hall Avenue
Poquoson, Virginia 23662

BASIC FINANCIAL STATEMENTS

CITY OF POQUOSON, VIRGINIA

Exhibit A

STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and investments (Note 2)	\$ 28,042,216	\$ 5,365,290	\$ 33,407,506	\$ 5,251,394
Restricted cash and investments (Note 2)	4,137,071	-	4,137,071	626,370
Property taxes receivable, net (Note 3)	822,292	-	822,292	-
Other receivables, net (Note 3)	169,507	473,600	643,107	-
Due from component units (Note 6)	1,286,694	-	1,286,694	-
Other current assets	22,058	11,505	33,563	116,005
Notes receivable, component unit (Notes 4, 6)	1,293,591	-	1,293,591	-
Leases receivable (Note 19)	1,691,895	-	1,691,895	-
Due from other governmental units (Note 5)	1,345,644	-	1,345,644	539,724
Capital assets (Note 7):				
Nondepreciable/nonamortizable	4,939,984	217,666	5,157,650	4,829,542
Depreciable/amortizable	50,526,937	8,687,520	59,214,457	8,404,884
Total assets	\$ 94,277,889	\$ 14,755,581	\$ 109,033,470	\$ 19,767,919
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension (Note 15)	\$ 1,956,688	\$ 79,003	\$ 2,035,691	\$ 3,274,561
Deferred outflows related to OPEB (Notes 16, 17, 18)	535,476	21,621	557,097	475,824
Deferred refunding costs	564,859	-	564,859	-
Total deferred outflows of resources	\$ 3,057,023	\$ 100,624	\$ 3,157,647	\$ 3,750,385
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,968,215	\$ 134,800	\$ 2,103,015	\$ 3,283,973
Accrued payroll	227,185	20,059	247,244	-
Accrued interest	462,600	14,629	477,229	7,076
Unearned revenues	11,794,782	-	11,794,782	-
Due to Primary Government (Note 6, 9)	-	-	-	2,580,285
Noncurrent liabilities (Note 8):				
Due within one year	2,853,445	647,479	3,500,924	43,629
Due in more than one year	40,748,231	2,852,832	43,601,063	15,856,261
Total liabilities	\$ 58,054,458	\$ 3,669,799	\$ 61,724,257	\$ 21,771,224
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension (Note 15)	\$ 1,903,755	\$ 76,866	\$ 1,980,621	\$ 3,424,888
Deferred inflows related to OPEB (Notes 16, 17, 18)	425,141	17,165	442,306	411,117
Deferred inflows related to leases (Note 19)	1,613,485	-	1,613,485	-
Deferred refunding costs	162,875	134,853	297,728	-
Total deferred inflows of resources	\$ 4,105,256	\$ 228,884	\$ 4,334,140	\$ 3,836,005
NET POSITION (DEFICIT)				
Net investment in capital assets	\$ 20,195,716	\$ 5,464,333	\$ 25,660,049	\$ 13,207,741
Restricted for:				
Education	1,269,078	-	1,269,078	626,370
Public safety	146,720	-	146,720	-
Parks, recreation, and cultural	32,251	-	32,251	-
Community development	145,362	-	145,362	-
Health and welfare	7,294	-	7,294	-
Public works	16,530	-	16,530	-
General government administration	55,444	-	55,444	-
Unrestricted (deficit)	13,306,803	5,493,189	18,799,992	(15,923,036)
Total net position (deficit)	\$ 35,175,198	\$ 10,957,522	\$ 46,132,720	\$ (2,088,925)

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

CITY OF POQUOSON, VIRGINIA

Exhibit B

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Net Revenues (Expenses) and Changes in Net Position								
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government administration	\$ 7,676,967	\$ 752,070	\$ -	\$ -	\$ (6,924,897)	\$ -	\$ (6,924,897)	\$ -
Public safety and judicial	9,848,237	417,191	537,571	-	(8,893,475)	-	(8,893,475)	-
Public works	3,752,924	-	950,000	836,573	(1,966,351)	-	(1,966,351)	-
Health and welfare	1,128,095	-	242,862	-	(885,233)	-	(885,233)	-
Education	9,513,223	-	-	-	(9,513,223)	-	(9,513,223)	-
Parks, recreation and cultural	2,161,907	82,321	194,109	-	(1,885,477)	-	(1,885,477)	-
Economic Development Authority	145,786	-	-	-	(145,786)	-	(145,786)	-
Community development	659,427	419,247	-	3,417,064	3,176,884	-	3,176,884	-
Interest and fees on long-term debt	1,247,108	-	-	-	(1,247,108)	-	(1,247,108)	-
Total governmental activities	36,133,674	1,670,829	1,924,542	4,253,637	(28,284,666)	-	(28,284,666)	-
Business-type activities:								
Sewer	1,421,371	1,799,475	-	-	-	378,104	378,104	-
Solid waste	1,190,698	1,213,526	-	-	-	22,828	22,828	-
Total business-type activities	2,612,069	3,013,001	-	-	-	400,932	400,932	-
Total primary government	\$ 38,745,743	\$ 4,683,830	\$ 1,924,542	\$ 4,253,637	(28,284,666)	400,932	(27,883,734)	-
COMPONENT UNITS								
Poquoson Public Schools	\$ 24,345,312	\$ 1,821,398	\$ 13,505,495	\$ 1,052,333	-	-	-	(7,966,086)
Economic Development Authority	171,511	11,910	-	-	-	-	-	(159,601)
Total component units	\$ 24,516,823	\$ 1,833,308	\$ 13,505,495	\$ 1,052,333	-	-	-	(8,125,687)
General revenues:								
Real estate and personal property taxes					26,526,866	-	26,526,866	-
Sales and use taxes					1,399,477	-	1,399,477	3,124,928
Meals taxes					1,038,194	-	1,038,194	-
Business license taxes					599,477	-	599,477	-
Consumer utility taxes					316,152	-	316,152	-
Recordation taxes					194,458	-	194,458	-
Other local taxes					184,079	-	184,079	-
Payments from the City of Poquoson					-	-	-	10,704,577
Reimbursements from other agencies not restricted to specific programs					211,413	-	211,413	-
Miscellaneous					87,510	1,550,645	1,638,155	-
Unrestricted investment earnings					1,352,648	49,760	1,402,408	-
Transfers (Note 13)					300,000	(300,000)	-	-
Total general revenues, transfers, and miscellaneous					32,210,274	1,300,405	33,510,679	13,829,505
Change in net position					3,925,608	1,701,337	5,626,945	5,703,818
NET POSITION (DEFICIT)								
Beginning of year					31,249,590	9,256,185	40,505,775	(7,792,743)
End of year					\$ 35,175,198	\$ 10,957,522	\$ 46,132,720	\$ (2,088,925)

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

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2023

	General	Debt Service	Capital Projects	Grants Special Revenue	Total Governmental Funds
ASSETS					
Cash and investments	\$ 11,989,765	\$ 166,731	\$ 2,911,007	\$ 12,821,117	\$ 27,888,620
Restricted cash and investments	-	-	4,137,071	-	4,137,071
Property taxes receivable, net	822,292	-	-	-	822,292
Other receivables	169,507	-	-	-	169,507
Due from component units	1,286,694	-	-	-	1,286,694
Notes receivable, component unit	1,293,591	-	-	-	1,293,591
Due from other governmental units	1,322,681	-	22,963	-	1,345,644
Leases receivable	1,691,895	-	-	-	1,691,895
Total assets	<u>\$ 18,576,425</u>	<u>\$ 166,731</u>	<u>\$ 7,071,041</u>	<u>\$ 12,821,117</u>	<u>\$ 38,635,314</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 934,668	\$ 900	\$ 183,325	\$ 1,042,388	\$ 2,161,281
Unearned revenues	189,057	-	-	11,605,725	11,794,782
Total liabilities	<u>1,123,725</u>	<u>900</u>	<u>183,325</u>	<u>12,648,113</u>	<u>13,956,063</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue, property taxes	686,655	-	-	-	686,655
Leases	1,613,485	-	-	-	1,613,485
Total deferred inflows of resources	<u>2,300,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,300,140</u>
FUND BALANCES (Note 11)					
Nonspendable	1,293,591	-	-	-	1,293,591
Restricted	403,601	-	4,137,071	-	4,540,672
Committed	2,269,078	-	-	-	2,269,078
Assigned	872,028	165,831	2,750,645	173,004	3,961,508
Unassigned	10,314,262	-	-	-	10,314,262
Total fund balances	<u>15,152,560</u>	<u>165,831</u>	<u>6,887,716</u>	<u>173,004</u>	<u>22,379,111</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 18,576,425</u>	<u>\$ 166,731</u>	<u>\$ 7,071,041</u>	<u>\$ 12,821,117</u>	<u>\$ 38,635,314</u>

(Continued)

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

**RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
June 30, 2023**

TOTAL FUND BALANCES PER EXHIBIT C - BALANCE SHEET - GOVERNMENTAL FUNDS	\$ 22,379,111
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT A) ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation (excluding \$1,468 related to Internal Service Fund).	55,465,453
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$68,287 related to Internal Service Fund).	2,423,877
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.	401,984
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.	686,655
Other liabilities not paid from current period revenues are not reported in funds for:	
Accrued interest	(462,600)
Accrued compensated absences (excluding \$34,027 related to Internal Service Fund)	(753,379)
Net pension liability (excluding \$44,772 related to Internal Service Fund)	(1,589,222)
Net OPEB liability (excluding \$70,276 related to Internal Service Fund)	(2,494,474)
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.	(38,615,526)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$63,813 related to Internal Service Fund).	(2,265,083)
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.	(1,598)
Net position of governmental activities	<u>\$ 35,175,198</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2023

	General	Debt Service	Capital Projects	Grants Special Revenue	Total Governmental Funds
REVENUES					
General property taxes	\$ 24,596,839	\$ -	\$ -	\$ -	\$ 24,596,839
Other local taxes	3,731,837	-	-	-	3,731,837
Permits, privilege fees, and regulatory licenses	305,178	-	-	-	305,178
Fines and forfeitures	47,593	-	-	-	47,593
Use of money and property	1,186,309	-	163,137	3,202	1,352,648
Charges for services	915,931	-	-	-	915,931
Intergovernmental	4,390,252	-	836,573	3,417,064	8,643,889
Miscellaneous	117,718	16,053	25,000	-	158,771
Total revenues	35,291,657	16,053	1,024,710	3,420,266	39,752,686
EXPENDITURES					
General government administration	3,075,199	-	-	-	3,075,199
Public safety and judicial	9,300,200	-	-	656,671	9,956,871
Public works	2,183,441	-	-	-	2,183,441
Health and welfare	1,131,534	-	-	-	1,131,534
Parks, recreation, and cultural	2,077,048	-	-	-	2,077,048
Community development	675,155	-	-	-	675,155
Nondepartmental	194,135	-	-	141,274	335,409
Education	10,488,504	-	-	1,354,101	11,842,605
Economic Development Authority	21,000	-	-	124,786	145,786
Capital outlay	74,353	-	4,883,589	1,140,022	6,097,964
Debt service:					
Principal retirement	-	2,416,000	-	-	2,416,000
Interest and fiscal charges	-	1,256,182	-	-	1,256,182
Bond issuance costs	-	133,594	-	-	133,594
Total expenditures	29,220,569	3,805,776	4,883,589	3,416,854	41,326,788
Excess (deficiency) of revenues over (under) expenditures	6,071,088	(3,789,723)	(3,858,879)	3,412	(1,574,102)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	131,794	3,868,206	-	4,000,000
Subscription financing	48,385	-	-	-	48,385
Transfers in (Note 13)	300,000	3,795,000	228,000	-	4,323,000
Transfers out (Note 13)	(4,023,000)	-	-	-	(4,023,000)
Total other financing sources (uses)	(3,674,615)	3,926,794	4,096,206	-	4,348,385
Net change in fund balances	2,396,473	137,071	237,327	3,412	2,774,283
FUND BALANCES					
Beginning of year	12,756,087	28,760	6,650,389	169,592	19,604,828
End of year	<u>\$ 15,152,560</u>	<u>\$ 165,831</u>	<u>\$ 6,887,716</u>	<u>\$ 173,004</u>	<u>\$ 22,379,111</u>

(Continued)

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
Year Ended June 30, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,774,283

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Some revenues will not be collected for several months after the City's fiscal year-end. They are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues changed by this amount this year.

6,596

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 and amortization expense.

Capital outlay	5,168,568
Depreciation and amortization expense	(2,237,835)
Capital contribution to School Board	(480,332)

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	(106,564)
Repayment of debt principal and leases	2,444,490
Issuance of debt	(4,000,000)
Subscription financing	(48,385)
Amortization of premiums	233,473

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	(12,731)
Compensated absences	(81,460)
Pension expense, net of contributions	358,684
OPEB expense, net of contributions	(115,812)

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.

22,633

Change in net position of governmental activities	<u><u>\$ 3,925,608</u></u>
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STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Business-Type Activities Proprietary Funds			Governmental Activities - Internal Service Fund
	Sewer Operations	Solid Waste	Total	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 5,124,859	\$ 240,431	\$ 5,365,290	\$ 153,596
Accounts receivable	267,652	205,948	473,600	-
Other current assets	7,605	3,900	11,505	22,058
Total current assets	<u>5,400,116</u>	<u>450,279</u>	<u>5,850,395</u>	<u>175,654</u>
NONCURRENT ASSETS				
Capital assets:				
Land	217,666	-	217,666	-
Buildings	123,549	9,023	132,572	41,742
Sewer system	22,551,562	-	22,551,562	-
Machinery and equipment	2,046,201	584,856	2,631,057	37,772
Accumulated depreciation	<u>(16,157,450)</u>	<u>(470,221)</u>	<u>(16,627,671)</u>	<u>(78,046)</u>
Total noncurrent assets	<u>8,781,528</u>	<u>123,658</u>	<u>8,905,186</u>	<u>1,468</u>
Total assets	<u><u>\$ 14,181,644</u></u>	<u><u>\$ 573,937</u></u>	<u><u>\$ 14,755,581</u></u>	<u><u>\$ 177,122</u></u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	\$ 65,292	\$ 13,711	\$ 79,003	\$ 53,615
Deferred outflows related to OPEB	17,868	3,753	21,621	14,672
Total deferred outflows of resources	<u><u>\$ 83,160</u></u>	<u><u>\$ 17,464</u></u>	<u><u>\$ 100,624</u></u>	<u><u>\$ 68,287</u></u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 26,084	\$ 108,716	\$ 134,800	\$ 28,435
Accrued payroll	15,274	4,785	20,059	5,684
Accrued interest	14,629	-	14,629	-
Compensated absences	2,007	472	2,479	3,403
Bonds payable	645,000	-	645,000	-
Total current liabilities	<u>702,994</u>	<u>113,973</u>	<u>816,967</u>	<u>37,522</u>
NONCURRENT LIABILITIES				
Net pension liability	54,524	11,450	65,974	44,772
Compensated absences	18,060	4,244	22,304	30,624
Bonds payable	2,661,000	-	2,661,000	-
Net OPEB liabilities	85,582	17,972	103,554	70,276
Total noncurrent liabilities	<u>2,819,166</u>	<u>33,666</u>	<u>2,852,832</u>	<u>145,672</u>
Total liabilities	<u><u>\$ 3,522,160</u></u>	<u><u>\$ 147,639</u></u>	<u><u>\$ 3,669,799</u></u>	<u><u>\$ 183,194</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	\$ 63,525	\$ 13,341	\$ 76,866	\$ 52,164
Deferred inflows related to OPEB	14,186	2,979	17,165	11,649
Deferred refunding costs	134,853	-	134,853	-
Total deferred inflows of resources	<u><u>\$ 212,564</u></u>	<u><u>\$ 16,320</u></u>	<u><u>\$ 228,884</u></u>	<u><u>\$ 63,813</u></u>
NET POSITION (DEFICIT)				
Net investment in capital assets	\$ 5,340,675	\$ 123,658	\$ 5,464,333	\$ 1,468
Unrestricted (deficit)	<u>5,189,405</u>	<u>303,784</u>	<u>5,493,189</u>	<u>(3,066)</u>
Total net position (deficit)	<u><u>\$ 10,530,080</u></u>	<u><u>\$ 427,442</u></u>	<u><u>\$ 10,957,522</u></u>	<u><u>\$ (1,598)</u></u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-Type Activities Proprietary Funds			Governmental Activities - Internal Service Fund
	Sewer Operations	Solid Waste	Total	
OPERATING REVENUES				
Charges for services	\$ 1,799,475	\$ 1,213,526	\$ 3,013,001	\$ 999,789
Miscellaneous	-	245	245	-
Total operating revenues	1,799,475	1,213,771	3,013,246	999,789
EXPENSES				
Personnel services	396,989	119,934	516,923	314,813
Contractual services	148,110	509,323	657,433	626,484
Materials and supplies	161,255	75,715	236,970	10,088
Utilities	90,411	93	90,504	4,783
Depreciation	576,112	12,354	588,466	589
Other charges	33,689	4,345	38,034	20,399
Waste disposal	-	468,934	468,934	-
Total operating expenses	1,406,566	1,190,698	2,597,264	977,156
Operating income	392,909	23,073	415,982	22,633
NONOPERATING REVENUES (EXPENSES)				
Interest income	49,760	-	49,760	-
Interest and fiscal charges	(14,805)	-	(14,805)	-
Sewer availability fees	1,550,400	-	1,550,400	-
Total nonoperating revenues	1,585,355	-	1,585,355	-
INCOME BEFORE TRANSFERS	1,978,264	23,073	2,001,337	22,633
TRANSFERS				
Transfers out	(250,000)	(50,000)	(300,000)	-
Change in net position	1,728,264	(26,927)	1,701,337	22,633
NET POSITION (DEFICIT)				
Beginning of year	8,801,816	454,369	9,256,185	(24,231)
End of year	\$ 10,530,080	\$ 427,442	\$ 10,957,522	\$ (1,598)

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

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-Type Activities			Internal
	Sewer Operations	Solid Waste	Total	Service Fund
OPERATING ACTIVITIES				
Received from customers and users	\$ 1,808,013	\$ 1,211,116	\$ 3,019,129	\$ 999,789
Payments to suppliers for goods and services	(555,832)	(1,023,873)	(1,579,705)	(662,990)
Payments to employees	(398,135)	(121,734)	(519,869)	(337,015)
Net cash provided (used) by operating activities	854,046	65,509	919,555	(216)
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(250,000)	(50,000)	(300,000)	-
CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on bonds payable	(636,000)	-	(636,000)	-
Sewer availability fees	1,550,400	-	1,550,400	-
Interest paid on bonds payable	(46,516)	-	(46,516)	-
Acquisition and construction of capital assets	(44,974)	-	(44,974)	-
Net cash provided by capital and related financing activities	822,910	-	822,910	-
INVESTING ACTIVITIES				
Interest received	49,760	-	49,760	-
Net increase (decrease) in cash and investments	1,476,716	15,509	1,492,225	(216)
CASH AND INVESTMENTS				
Beginning of year	3,648,143	224,922	3,873,065	153,812
End of year	<u>\$ 5,124,859</u>	<u>\$ 240,431</u>	<u>\$ 5,365,290</u>	<u>\$ 153,596</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 392,909	\$ 23,073	\$ 415,982	\$ 22,633
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	576,112	12,354	588,466	589
Pension recovery, net of employer contributions	(10,469)	(2,783)	(13,252)	(17,250)
OPEB expense, net of employer contributions	6,081	576	6,657	(5,381)
Changes in assets and liabilities:				
Accounts receivable	8,538	(2,655)	5,883	-
Other current assets	(4,480)	3,776	(704)	6,098
Accounts payable and accrued liabilities	(117,887)	30,761	(87,126)	(7,334)
Accrued payroll	1,843	41	1,884	(2,754)
Compensated absences	1,399	366	1,765	3,183
Net cash provided (used) by operating activities	<u>\$ 854,046</u>	<u>\$ 65,509</u>	<u>\$ 919,555</u>	<u>\$ (216)</u>

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	Other Postemployment Benefits Trust Fund	Library Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 90,393	\$ 18,432
Investments in pooled funds	230,186	-
	<u>\$ 320,579</u>	<u>\$ 18,432</u>
LIABILITIES		
Advance payments	<u>\$ 7,377</u>	<u>\$ -</u>
NET POSITION		
Restricted for postemployment benefits other than pensions	\$ 313,202	\$ -
Restricted for others	-	18,432
	<u>\$ 313,202</u>	<u>\$ 18,432</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2023

	Other Postemployment Benefits Trust Fund	Library Custodial Fund
ADDITIONS		
Contributions, retirees	\$ 87,389	\$ -
Interest	-	705
Contributions from primary government	100,000	-
Increase in fair value of investments	36,721	-
Decrease in fair value of investments	(25,532)	-
Total additions	198,578	705
DEDUCTIONS		
Retirement benefits	152,329	-
Net change in fiduciary net position	46,249	705
NET POSITION		
Beginning of year	266,953	17,727
End of year	<u><u>\$ 313,202</u></u>	<u><u>\$ 18,432</u></u>

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

CITY OF POQUOSON, VIRGINIA

Exhibit J

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2023

	Poquoson City Public Schools	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 5,214,395	\$ 36,999	\$ 5,251,394
Restricted cash and cash equivalents	626,370	-	626,370
Due from other governments	539,724	-	539,724
Inventory	16,005	-	16,005
Prepaid expense	100,000	-	100,000
Capital assets:			
Nondepreciable/nonamortizable	2,852,910	1,976,632	4,829,542
Depreciable/amortizable, net	8,376,229	28,655	8,404,884
Total assets	<u>\$ 17,725,633</u>	<u>\$ 2,042,286</u>	<u>\$ 19,767,919</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	\$ 3,274,561	\$ -	\$ 3,274,561
Deferred outflows related to OPEB	475,824	-	475,824
Total deferred outflows of resources	<u>\$ 3,750,385</u>	<u>\$ -</u>	<u>\$ 3,750,385</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 3,283,724	\$ 249	\$ 3,283,973
Accrued interest payable	1,295	5,781	7,076
Due to primary government	1,286,694	1,293,591	2,580,285
Noncurrent liabilities:			
Due within one year	43,629	-	43,629
Due in more than one year	357,300	-	357,300
Net pension liability	12,880,665	-	12,880,665
Net OPEB liability	2,618,296	-	2,618,296
Total liabilities	<u>\$ 20,471,603</u>	<u>\$ 1,299,621</u>	<u>\$ 21,771,224</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	\$ 3,424,888	\$ -	\$ 3,424,888
Deferred inflows related to OPEB	411,117	-	411,117
Total deferred inflows of resources	<u>\$ 3,836,005</u>	<u>\$ -</u>	<u>\$ 3,836,005</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	\$ 11,202,454	\$ 2,005,287	\$ 13,207,741
Restricted	626,370	-	626,370
Unrestricted (deficit)	(14,660,414)	(1,262,622)	(15,923,036)
Total net position (deficit)	<u>\$ (2,831,590)</u>	<u>\$ 742,665</u>	<u>\$ (2,088,925)</u>

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

CITY OF POQUOSON, VIRGINIA

Exhibit K

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net		
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Poquoson City Public Schools	Economic Development Authority	Total
Poquoson City Public Schools							
Education	\$ 24,345,312	\$ 1,821,398	\$ 13,505,495	\$ 1,052,333	\$ (7,966,086)	\$ -	\$ (7,966,086)
Economic Development Authority	171,511	11,910	-	-	-	(159,601)	(159,601)
	<u>\$ 24,516,823</u>	<u>\$ 1,833,308</u>	<u>\$ 13,505,495</u>	<u>\$ 1,052,333</u>	<u>(7,966,086)</u>	<u>(159,601)</u>	<u>(8,125,687)</u>
General revenues:							
Sales tax					3,124,928	-	3,124,928
City of Poquoson					10,558,791	145,786	10,704,577
Total general revenues					13,683,719	145,786	13,829,505
Change in net position					5,717,633	(13,815)	5,703,818
NET POSITION (DEFICIT)							
Beginning of year					(8,549,223)	756,480	(7,792,743)
End of year					<u>\$ (2,831,590)</u>	<u>\$ 742,665</u>	<u>\$ (2,088,925)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

1. Summary of Significant Accounting Policies

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

Financial reporting entity

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

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

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

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

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

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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 of vehicles. Because this service predominantly benefits governmental, rather than business-type, functions the fleet fund has been included with governmental activities in the government-wide financial statements. Fiduciary funds are not included in the government-wide financial statements since they are used to report assets held in trust for others and, therefore, cannot be used to support the City's own programs.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the government.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

The City reports the following additional proprietary fund type:

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Budget and budgetary accounting

City

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

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

Budgets are adopted on a budgetary basis, which is consistent with U.S. GAAP except encumbrances are included as budgetary expenditures. Budgeted amounts reflected in the Primary Government are as originally adopted and amended by City Council.

Supplemental budget appropriations were approved during the fiscal year ended June 30, 2023, for an increase in appropriations in the amount of \$2,032,058 for additional grant funding and other financing sources for the Primary Government General Fund.

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

Component Unit - Poquoson City Public Schools

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

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

Cash and investments

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

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

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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, 2023, 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 cost (first-in, first-out 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 leases are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

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

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Deferred outflows and inflows of resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an expense or an expenditure until that time. The City reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and other postemployment benefits (OPEB) in the government-wide and proprietary fund Statements of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, change in the proportionate share of total pension and OPEB liabilities, actual economic experience that is different than estimated, differences in projected and actual earnings on plan investments, and contributions made subsequent to the measurement date. Deferred outflows of resources resulting from contributions made subsequent to the measurement date but before the end of the employer's reporting period will be recognized as a reduction (increase) of the net pension and OPEB liability (asset) in the fiscal year ending June 30, 2023. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants.

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

Unearned revenues

In June of 2021, the City received funding of \$7,557,432 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. In July 2022, the second portion of the ARPA money of \$7,557,432 was awarded to the City. A portion of these funds, totaling \$11,605,725, were not spent during FY23, and are reported as unearned revenues in the Grants fund on the basic financial statements and will be recognized as revenue as earned in future periods to cover the cost for expenditures through the period of performance as defined by the grant agreement.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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.

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

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

Fund balances/net positions

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

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

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the 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 the City Council. The committed amounts cannot be used for any purpose unless the 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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Fund balances/net positions (Continued)

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 is classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents 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 to customers to connect to the City's sewer system are recognized as nonoperating revenue.

Estimates

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

Concentration risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.46% 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.

Leases

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

At the commencement of a lease, the City initially measures the lease liability at the present value of future payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, if any. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

The City is a lessor for a noncancellable lease of communication facility towers. The City recognizes a lease receivable and a deferred inflow of resources related to these agreements. At the commencement of a lease, the City initially measures the lease receivable at the present value of future payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the life of the lease term.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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

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

Adoption of New Accounting Standard

Effective July 1, 2022, the City adopted Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. The following discussion provides the City's accounting policy regarding subscription arrangements.

During the year of implementation of GASB 96, subscription arrangements have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e. as of July 1, 2022). The City's subscription arrangements in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the subscription liability has been recognized and measured at the same amount as the related right-of-use subscription asset as of the implementation date (July 1, 2022). Therefore, no restatement of the prior year net position was necessary. See additional information in Notes 7, 8, and 20.

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, 2023, no balances of the Primary Government or its component units were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the City had \$4,137,071 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 fair 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 has 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.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

2. Deposits and Investments (Continued)

Investment policy

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

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	75% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	20% maximum
Negotiable certificates of deposit / bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	10% maximum

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

Short-Term Operating Funds

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

Core Portfolio

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

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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

2. Deposits and Investments (Continued)

Credit risk (Continued)

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" and "AA" by Standard & Poor's and "Aaa" or "Aa2" by Moody's Investors Service.

Concentration of credit risk

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

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

Interest rate risk

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

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

Custodial risk

For an investment, custodial risk is the risk that in the event of the failure of the 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, 2023, 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.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

2. Deposits and Investments (Continued)

Custodial risk (Continued)

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	\$ 20,215,196	\$ 20,215,196	\$ -
VML/VACo Pooled OPEB Trust Fund	230,186	-	230,186
VIP	6,150,922	6,126,809	24,113
SNAP	<u>4,137,071</u>	<u>-</u>	<u>4,137,071</u>
Total investments	<u>\$ 30,733,375</u>	<u>\$ 26,342,005</u>	<u>\$ 4,391,370</u>

Reconciliation to total cash and investments:

Add: cash on hand and in banks	<u>\$ 13,027,977</u>
Total cash and investments	43,761,352
Less: cash and investments held in fiduciary funds	<u>339,011</u>
Total cash and investments, Exhibit A, Primary Government and Component Units	<u>\$ 43,422,341</u>

3. Receivables

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

	Governmental Activities	Business-type Activities	Total
Real estate taxes	\$ 469,615	\$ -	\$ 469,615
Personal property taxes	657,677	-	657,677
Accounts receivable	<u>169,507</u>	<u>473,600</u>	<u>643,107</u>
	1,296,799	473,600	1,770,399
Less: allowance for uncollectible accounts	<u>(305,000)</u>	<u>-</u>	<u>(305,000)</u>
Receivables, net	<u>\$ 991,799</u>	<u>\$ 473,600</u>	<u>\$ 1,465,399</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

4. Notes Receivable

The City has a \$1,293,591 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. In fiscal year 2023, the EDA contributed three parcels of vacant land to the City with a value of \$354,313. This value reduced the fiscal year 2023 beginning balance of the note receivable of \$1,647,904 to \$1,293,591.

5. Due from Other Governments

Due from other governments consists of the following:

Primary government

Commonwealth of Virginia:

Communications sales and use tax	\$ 22,888
Compensation Board	22,793
Children's Services Act	90,963
Division of Motor Vehicles	13,484
Emergency Medical Services Grant	13,002
Meals tax	99,395
PPTRA	884,118
Recordation tax	16,679
Sales tax	94,951
Deed of Conveyance	5,353
VDOT	22,963
School Resource Officer Grants	<u>47,768</u>

Total due from the Commonwealth of Virginia	<u>\$ 1,334,357</u>
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Federal government:

DUI Grants - Selective Enforcement - Alcohol	\$ 1,267
Byrne Justice Grant	2,520
Federal LEMPG Planning Grant	<u>7,500</u>

Total due from the Federal government	<u>11,287</u>
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Total due from other governments	<u><u>\$ 1,345,644</u></u>
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(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

5. Due from Other Governments (Continued)

Component unit - School Board

Commonwealth of Virginia:	
Sales tax	\$ 248,337
Technology reimbursement	<u>108,628</u>
Total due from the Commonwealth of Virginia	<u>356,965</u>
Federal Government:	
Department of Education Program, Title VI-B	100,837
Various Grants	57,525
CARES ESSER III	<u>24,397</u>
Total due from the Federal government	<u>182,759</u>
Total due from other governments	<u>\$ 539,724</u>

6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2023, are as follows:

<u>Primary Government Receivable</u>	<u>Component Unit Payable</u>	<u>Total</u>
Due from EDA - Note receivable	Due to Primary Government	\$ 1,293,591
Due from Schools	Due to Primary Government	<u>1,286,694</u>
		<u>\$ 2,580,285</u>

See Notes 4, 8 and 9 for more information regarding the EDA's \$1,293,591 note receivable due to the City.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

7. Capital Assets

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

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2023</u>
Capital assets not subject to depreciation or amortization:				
Land	\$ 3,452,916	\$ 354,313	\$ -	\$ 3,807,229
Construction in process	<u>17,430,509</u>	<u>4,365,510</u>	<u>20,663,264</u>	<u>1,132,755</u>
Total capital assets not subject to depreciation or amortization	<u>20,883,425</u>	<u>4,719,823</u>	<u>20,663,264</u>	<u>4,939,984</u>
Capital assets subject to depreciation and amortization:				
Buildings	10,645,664	-	-	10,645,664
Building improvements	504,665	69,750	-	574,415
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	5,021,385	20,401	-	5,041,786
Machinery and equipment	10,825,337	533,642	128,842	11,230,137
Subscription asset	<u>-</u>	<u>74,353</u>	<u>-</u>	<u>74,353</u>
Total capital assets subject to depreciation and amortization	<u>67,381,370</u>	<u>698,146</u>	<u>128,842</u>	<u>67,950,674</u>
Accumulated depreciation and amortization:				
Buildings	6,959,387	350,687	-	7,310,074
Building improvements	261,602	41,932	-	303,534
Infrastructure	33,712,591	174,163	-	33,886,754
Land improvements	2,818,327	160,912	-	2,979,239
Machinery and equipment	7,445,455	617,584	128,842	7,934,197
Subscription asset	<u>-</u>	<u>20,654</u>	<u>-</u>	<u>20,654</u>
Total accumulated depreciation and amortization	<u>51,197,362</u>	<u>1,365,932</u>	<u>128,842</u>	<u>52,434,452</u>
Total capital assets subject to depreciation and amortization, net, before allocation from School Board	<u>16,184,008</u>	<u>(667,786)</u>	<u>-</u>	<u>15,516,222</u>
Allocation of School Board assets:				
Buildings	23,679,682	20,413,863	1,044,272	43,049,273
Accumulated depreciation	<u>7,730,006</u>	<u>872,492</u>	<u>563,940</u>	<u>8,038,558</u>
Total allocated from School Board	<u>15,949,676</u>	<u>19,541,371</u>	<u>480,332</u>	<u>35,010,715</u>
Total capital assets subject to depreciation and amortization	<u>32,133,684</u>	<u>18,873,585</u>	<u>480,332</u>	<u>50,526,937</u>
Total capital assets	<u>\$ 53,017,109</u>	<u>\$ 23,593,408</u>	<u>\$ 21,143,596</u>	<u>\$ 55,466,921</u>

The City has various construction projects in process as of year-end under which it is committed to payments to contractors not included in accounts payable at year-end. The total outstanding commitment for these projects at June 30, 2023 is \$2,234,179.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

7. Capital Assets (Continued)

Depreciation and amortization were charged to governmental functions as follows:

General government administration	\$ 165,206
Public safety	610,886
Public works	460,751
Parks, recreation, and cultural	128,500
Education	872,492
Internal Service Fund	<u>589</u>
	<u>\$ 2,238,424</u>

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

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2023</u>
Capital assets not subject to depreciation:				
Land	\$ 217,666	\$ -	\$ -	\$ 217,666
Construction in process	<u>138,700</u>	<u>11,590</u>	<u>150,290</u>	<u>-</u>
Total capital assets not subject to depreciation	<u>356,366</u>	<u>11,590</u>	<u>150,290</u>	<u>217,666</u>
Capital assets subject to depreciation:				
Buildings	132,572	-	-	132,572
Machinery and equipment	2,447,383	183,674	-	2,631,057
Sewer system	<u>22,551,562</u>	<u>-</u>	<u>-</u>	<u>22,551,562</u>
Total capital assets subject to depreciation	<u>25,131,517</u>	<u>183,674</u>	<u>-</u>	<u>25,315,191</u>
Accumulated depreciation:				
Buildings	43,870	7,714	-	51,584
Machinery and equipment	1,520,459	123,699	-	1,644,158
Sewer system	<u>14,474,876</u>	<u>457,053</u>	<u>-</u>	<u>14,931,929</u>
Total accumulated depreciation	<u>16,039,205</u>	<u>588,466</u>	<u>-</u>	<u>16,627,671</u>
Total capital assets subject to depreciation	<u>9,092,312</u>	<u>(404,792)</u>	<u>-</u>	<u>8,687,520</u>
Total capital assets	<u>\$ 9,448,678</u>	<u>\$ (393,202)</u>	<u>\$ 150,290</u>	<u>\$ 8,905,186</u>

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

Sewer Fund	\$ 576,112
Solid Waste Fund	<u>12,354</u>
	<u>\$ 588,466</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

7. Capital Assets (Continued)

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

	<u>Balance at July 1, 2022*</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2023</u>
Capital assets not subject to depreciation or amortization:				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Construction in progress	-	2,402,034	-	2,402,034
Total capital assets not subject to depreciation and amortization	<u>450,876</u>	<u>2,402,034</u>	<u>-</u>	<u>2,852,910</u>
Capital assets subject to depreciation and amortization:				
Buildings and building improvements	36,946,227	20,583,186	-	57,529,413
Infrastructure	160,872	161,699	-	322,571
Land improvements	4,358,650	36,452	-	4,395,102
Machinery and equipment	3,875,570	524,787	179,969	4,220,388
Machinery and equipment, leased	86,020	-	86,020	-
Subscription asset *	<u>34,185</u>	<u>-</u>	<u>-</u>	<u>34,185</u>
Total capital assets subject to depreciation and amortization	<u>45,461,524</u>	<u>21,306,124</u>	<u>265,989</u>	<u>66,501,659</u>
Accumulated depreciation and amortization:				
Buildings and building improvements	16,035,522	1,030,783	-	17,066,305
Infrastructure	37,318	7,154	-	44,472
Land improvements	2,980,231	182,310	-	3,162,541
Machinery and equipment	2,748,325	266,204	179,969	2,834,560
Machinery and equipment, leased	43,010	43,010	86,020	-
Subscription asset	<u>-</u>	<u>6,837</u>	<u>-</u>	<u>6,837</u>
Total accumulated depreciation and amortization	<u>21,844,406</u>	<u>1,536,298</u>	<u>265,989</u>	<u>23,114,715</u>
Total capital assets subject to depreciation and amortization, net, before allocation to City	<u>23,617,118</u>	<u>19,769,826</u>	<u>-</u>	<u>43,386,944</u>
Allocation to City:				
Buildings	23,679,682	20,413,863	1,044,272	43,049,273
Accumulated depreciation	<u>7,730,006</u>	<u>872,492</u>	<u>563,940</u>	<u>8,038,558</u>
Total allocated to City	<u>15,949,676</u>	<u>19,541,371</u>	<u>480,332</u>	<u>35,010,715</u>
Total capital assets subject to depreciation and amortization	<u>7,667,442</u>	<u>228,455</u>	<u>(480,332)</u>	<u>8,376,229</u>
Total capital assets	<u>\$ 8,118,318</u>	<u>\$ 2,630,489</u>	<u>\$ (480,332)</u>	<u>\$ 11,229,139</u>

*Balances have been restated for the inclusion of right-of-use subscription assets as a result of the implementation of GASB Statement No. 96.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

7. Capital Assets (Continued)

The School Board has one construction project in process as of year-end under which it is committed to payments to contractors not included in accounts payable at year-end. The total outstanding commitment for this project at June 30, 2023 is \$658,699.

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

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2023</u>
Capital assets not subject to depreciation:				
Land	\$ 2,330,945	\$ -	\$ 354,313	\$ 1,976,632
Capital assets subject to depreciation:				
Infrastructure	315,273	-	-	315,273
Accumulated depreciation:				
Infrastructure	<u>272,287</u>	<u>14,331</u>	<u>-</u>	<u>286,618</u>
Total capital assets subject to depreciation	<u>42,986</u>	<u>(14,331)</u>	<u>-</u>	<u>28,655</u>
Total capital assets	<u>\$ 2,373,931</u>	<u>\$ (14,331)</u>	<u>\$ 354,313</u>	<u>\$ 2,005,287</u>

8. Long-Term Obligations

Governmental activities

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

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 34,941,000	\$ 4,000,000	\$ 2,416,000	\$ 36,525,000	\$ 2,517,000
Unamortized premium	<u>2,275,002</u>	<u>-</u>	<u>233,473</u>	<u>2,041,529</u>	<u>233,473</u>
	37,216,002	4,000,000	2,649,473	38,566,529	2,750,473
Financed purchase obligation	29,102	-	28,490	612	612
Subscription liability	-	48,385	-	48,385	23,619
Net pension liability	-	1,633,994	-	1,633,994	-
Net OPEB liability - Local Plan	2,053,178	13,054	-	2,066,232	-
Net OPEB liability - State Programs	472,170	26,348	-	498,518	-
Compensated absences	<u>702,763</u>	<u>897,200</u>	<u>812,557</u>	<u>787,406</u>	<u>78,741</u>
	<u>\$ 40,473,215</u>	<u>\$ 6,618,981</u>	<u>\$ 3,490,520</u>	<u>\$ 43,601,676</u>	<u>\$ 2,853,445</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

8. Long-Term Obligations (Continued)

Governmental activities (Continued)

	Balance July 1, 2022*	Increase	Decrease	Balance June 30, 2023	Amounts Due Within One Year
<i>Component Unit - Schools</i>					
Lease liability	\$ 43,590	\$ -	\$ 43,590	\$ -	\$ -
Subscription liability*	34,185	-	7,500	26,685	6,205
Net pension liability	10,801,944	2,078,721	-	12,880,665	-
Net OPEB liability - Local Plan	198,902	-	2,909	195,993	-
Net OPEB liability - State Programs	2,511,836	-	89,533	2,422,303	-
Compensated absences	<u>419,385</u>	<u>861,471</u>	<u>906,612</u>	<u>374,244</u>	<u>37,424</u>
	<u>\$ 14,009,842</u>	<u>\$ 2,940,192</u>	<u>\$ 1,050,144</u>	<u>\$ 15,899,890</u>	<u>\$ 43,629</u>

*Balances have been restated for the inclusion of subscription liabilities as a result of the implementation of GASB Statement No. 96.

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

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

General Obligation Bonds, Series 2016 - \$14,830,000 bonds issued and due in annual installments varying from \$40,000 to \$2,245,000 beginning February 2015 through February 2031, with interest payable semi-annually at rates from 2% to 5%.	\$ 9,380,000
General Obligation Bonds, Series 2018 - \$18,070,000 bonds issued and due in annual installments varying from \$100,000 to \$1,565,000 beginning February 2020 through February 2040, with interest payable semi-annually at rates from 3% to 5%.	17,615,000
General Obligation Refunding Bonds, Series 2020A - \$1,385,000 bonds issued and due in annual installments varying from \$41,000 to \$725,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	1,125,000
General Obligation Refunding Bonds, Series 2020B - \$1,434,000 bonds issued and due in annual installments varying from \$42,000 to \$752,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	<u>1,159,000</u>
Total (carried forward)	\$ 29,279,000

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

8. Long-Term Obligations (Continued)

Governmental activities (Continued)

Total (<i>brought forward</i>)	\$ 29,279,000
General Obligation Bonds, Series 2021A - \$3,522,000 bonds issued and due in annual installments varying from \$169,915 to \$346,000 beginning June 2022 through February 2036, with interest payable semi-annually at rates from 3% to 5%.	3,256,000
General Obligation Bond, Series 2022 - \$4,000,000 bond issued and due in annual installments varying from \$10,000 to \$304,000 beginning February 2023 through February 2042, with interest payable semi-annually at a 3.53% rate.	<u>3,990,000</u>
	<u><u>\$ 36,525,000</u></u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,517,000	\$ 1,228,400
2025	2,633,000	1,111,100
2026	2,920,000	987,684
2027	3,048,000	859,955
2028	3,134,000	771,219
2029 - 2033	8,948,000	2,865,016
2034 - 2038	9,086,000	1,561,166
2039 - 2042	<u>4,239,000</u>	<u>260,543</u>
	<u><u>\$ 36,525,000</u></u>	<u><u>\$ 9,645,083</u></u>

Financed purchase obligation

In July 2018, the City entered into a financing arrangement to purchase four police vehicles, which were capitalized at a combined cost of \$161,336. The capitalized cost of the police vehicles included the amounts initially recorded at purchase, as well as costs to outfit the vehicles. At June 30, 2023, accumulated depreciation under these leases was \$145,202. The outstanding balance of this financed purchase was \$612 at June 30, 2023. As of June 30, 2023, future payments of this lease were \$612 all of which is due in the fiscal year ending June 30, 2024.

Lease

In July 2020, the School Board entered into a lease agreement for the use of copiers, which was capitalized at a cost of \$86,020 as of July 1, 2021, the year GASB 87 was implemented, which was equal to the value of future payments, discounted at a rate of 3.25%. The outstanding balance of the lease was paid off during the year ended June 30, 2023. During the year ended June 30, 2023, the Schools reported amortization and interest expense of \$43,010 and \$771, respectively, related to this lease.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

8. Long-Term Obligations (Continued)

Governmental activities (Continued)

Debt Limit

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. At June 30, 2023, the City's aggregate general obligation indebtedness was \$141,910,139 less than the allowable limit.

Overlapping debt

There are no overlapping or underlying tax jurisdictions.

Business-type activities

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

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023	Amounts Due Within One Year
General obligation bonds	\$ 3,942,000	\$ -	\$ 636,000	\$ 3,306,000	\$ 645,000
Net pension liability	-	65,974	-	65,974	-
Net OPEB liability - Local Plan	80,878	2,548	-	83,426	-
Net OPEB liability - State Programs	18,599	1,529	-	20,128	-
Compensated absences	<u>23,018</u>	<u>38,573</u>	<u>36,808</u>	<u>24,783</u>	<u>2,479</u>
	<u>\$ 4,064,495</u>	<u>\$ 108,624</u>	<u>\$ 672,808</u>	<u>\$ 3,500,311</u>	<u>\$ 647,479</u>

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

General Obligation Refunding Sewer Bonds, Series 2021B - \$3,983,000 bonds issued and due in annual installments varying from \$91,888 to \$687,671 through June 2028, with interest payable semi-annually at 3%. \$ 3,306,000

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

Year Ending June 30,	Principal	Interest
2024	\$ 645,000	\$ 39,011
2025	655,000	31,400
2026	664,000	23,671
2027	667,000	15,836
2028	<u>675,000</u>	<u>7,965</u>
	<u>\$ 3,306,000</u>	<u>\$ 117,883</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

8. Long-Term Obligations (Continued)

Business-type activities (Continued)

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

9. Due to Primary Government, Component Unit - EDA

As described in Notes 4 and 8 above, the City issued \$1,734,000 in general obligation bonds and then loaned the proceeds to the EDA to repay a former bank line of credit. The balance due from the EDA was \$1,293,591 at June 30, 2023. 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. In fiscal year 2023, the EDA contributed three parcels of land to the City with a value of \$354,313 which reduced the balance due.

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. During fiscal year 2023, the YMCA Revenues Bonds were paid in full. At June 30, 2023, the remaining outstanding balance of the Beth Sholom Revenue and Refunding Bonds was \$8,157,855.

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

11. Fund Balances (Continued)

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Nonspendable:					
EDA note receivable	\$ 1,293,591	\$ -	\$ -	\$ -	\$ 1,293,591
Restricted:					
Asset forfeiture	8,407	-	-	-	8,407
Police - National Night Out	808	-	-	-	808
Police - Recruitment and retention	12,612	-	-	-	12,612
Police - Community engagement	416	-	-	-	416
4 For Life	18,985	-	-	-	18,985
Fire Fund	81,437	-	-	-	81,437
Dominion REPP	24,055	-	-	-	24,055
Library donations	18,760	-	-	-	18,760
Peninsula Agency on Aging	7,294	-	-	-	7,294
Street lights	13,491	-	-	-	13,491
Wetland creation	29,004	-	-	-	29,004
CDBG program revenues	78,699	-	-	-	78,699
Opioid abatement	55,444	-	-	-	55,444
PCB settlement	17,414	-	-	-	17,414
VMC Vessel grant	16,530	-	-	-	16,530
Chesapeake Bay	1,800	-	-	-	1,800
Community center	18,445	-	-	-	18,445
Capital projects	-	-	4,137,071	-	4,137,071
Total restricted	403,601	-	4,137,071	-	4,540,672
Committed:					
Education	1,269,078	-	-	-	1,269,078
Revenue stabilization	1,000,000	-	-	-	1,000,000
Total committed	2,269,078	-	-	-	2,269,078
Assigned:					
General government and administration	76,484	-	-	-	76,484
Parks, recreational and cultural	54,118	-	-	-	54,118
Public safety and judicial	91,836	-	-	-	91,836
Public works	75,534	-	-	-	75,534
Debt service	-	165,831	-	-	165,831
Capital projects	-	-	2,750,645	-	2,750,645
ARPA	-	-	-	173,004	173,004
Subsequent year budget transfers:					
Capital Projects Fund	472,500	-	-	-	472,500
OPEB Trust Fund	80,556	-	-	-	80,556
EDA Fund	21,000	-	-	-	21,000
Total assigned	872,028	165,831	2,750,645	173,004	3,961,508
Unassigned	10,314,262	-	-	-	10,314,262
Total fund balances	\$ 15,152,560	\$ 165,831	\$ 6,887,716	\$ 173,004	\$ 22,379,111

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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 the terms of the grant. In the opinion of the 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, 2023:

Description	Amount
Virginia Municipal Liability Pool - all City employees Employee Dishonesty Blanket Bond	\$ 1,000,000
Virginia Municipal Liability Pool April Firth, Clerk of the School Board	10,000
Amber Brown, 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.

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.

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, 2023, the City's General Fund had outstanding encumbrances of \$242,086 and the Component Unit - Schools' General Fund had outstanding encumbrances of \$725,424.

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

13. Interfund Transfers

Interfund transfers for the year ended June 30, 2023, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 300,000	\$ 4,023,000
Debt Service Fund	3,795,000	-
Capital Projects Fund	228,000	-
Sewer Operations Fund	-	250,000
Solid Waste Fund	-	50,000
	<u>\$ 4,323,000</u>	<u>\$ 4,323,000</u>

Purpose:

\$ 3,795,000	From General Fund to Debt Service Fund for current year debt payments.
\$ 228,000	From General Fund to Capital Projects Fund to fund capital projects.
\$ 250,000	From Sewer Operations Fund to General Fund to finance general government expenditures.
\$ 50,000	From Solid Waste Fund to General Fund to finance general government expenditures.

14. Related Party Transactions

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Council Workforce Development (PCWD), and Colonial Behavioral Health (CBH). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2023, the City provided support or paid for services to HRPDC of \$24,663, VPPSA of \$466,801, PCWD of \$3,023, and CBH of \$190,000.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2023, the City incurred expenses for the regional jail and juvenile detention center of \$247,337 and \$22,364, 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 \$69,822 for its share in fiscal year 2023.

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, 2023, the City paid \$1,099,989 to York County for these shared services.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

14. Related Party Transactions (Continued)

The City shares Hampton Steam Plant services and their associated costs with Hampton. During the year ended June 30, 2023, the City paid \$95,174 to Hampton for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2023, the Schools provided support of \$739,343 to the New Horizons Education Center.

15. Defined Benefit Pension Plans

Plan descriptions

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

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

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

Employees covered by benefit terms

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	87	32
Inactive members:		
Vested	21	13
Non-vested	38	7
Active elsewhere in VRS	42	4
Total inactive members	101	24
Active members	130	22
Total	318	78

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

15. Defined Benefit Pension Plan (Continued)

Contributions

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

Political Subdivision Plan - City and School Board Non-Professional

The City and School Board's non-professional contractually required contribution rates for the year ended June 30, 2023, were 14.17% and 9.04%, respectively, of covered employee compensation. Contributions to the pension plan from the City and School Board were \$1,034,833 and \$47,424, respectively, for the year ended June 30, 2023.

Teacher Plan - School Board Professional

Each school division's contractually required contribution rate for the year ended June 30, 2023, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. Contributions to the pension plan from the School Board were \$2,009,791 for the year ended June 30, 2023.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

Net pension liability (asset)

Political Subdivision Plan - City and School Board Non-Professional

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

Teacher Plan - School Board Professional

At June 30, 2023, School Board reported a liability of \$12,761,410 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the net pension liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.13404% as compared to 0.13798% at June 30, 2021.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

15. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability for General Employees, Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan, and the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

The actuarial assumptions used in the June 30, 2021, valuation was based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Long-term expected rate of return

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

15. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.83%</u>

*The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

15. Defined Benefit Pension Plan (Continued)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	<u>\$ 39,455,206</u>	<u>\$ 40,354,172</u>	<u>\$ (898,966)</u>
Changes for the year:			
Service cost	991,089	-	991,089
Interest	2,662,047	-	2,662,047
Changes of assumptions	-	-	-
Difference between expected and actual experience	148,216	-	148,216
Contributions - employer	-	912,520	(912,520)
Contributions - employee	-	346,944	(346,944)
Net investment income	-	(32,830)	32,830
Benefit payments, including refunds of employee contributions	(2,017,124)	(2,017,124)	-
Administrative expense	-	(25,144)	25,144
Other changes	<u>-</u>	<u>928</u>	<u>(928)</u>
Net changes	<u>1,784,228</u>	<u>(814,706)</u>	<u>2,598,934</u>
Balances at June 30, 2022	<u>\$ 41,239,434</u>	<u>\$ 39,539,466</u>	<u>\$ 1,699,968</u>

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

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	<u>\$ 2,683,374</u>	<u>\$ 2,592,952</u>	<u>\$ 90,422</u>
Changes for the year:			
Service cost	38,767	-	38,767
Interest	176,803	-	176,803
Change of assumptions	-	-	-
Difference between expected and actual experience	(121,393)	-	(121,393)
Contributions - employer	-	45,713	(45,713)
Contributions - employee	-	23,112	(23,112)
Net investment income	-	(1,904)	1,904
Benefit payments, including refunds of employee contributions	(205,660)	(205,660)	-
Administrative expense	-	(1,635)	1,635
Other changes	<u>-</u>	<u>58</u>	<u>(58)</u>
Net changes	<u>(111,483)</u>	<u>(140,316)</u>	<u>28,833</u>
Balances at June 30, 2022	<u>\$ 2,571,891</u>	<u>\$ 2,452,636</u>	<u>\$ 119,255</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

15. Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
City's net pension liability (asset)	\$ 7,106,778	\$ 1,699,968	\$ (2,737,616)
Component Unit School Board:			
Non-Professional Plan's net pension liability (asset)	\$ 390,048	\$ 119,255	\$ (107,467)
Teacher Plan's net pension liability	\$ 22,792,856	\$ 12,761,410	\$ 4,593,608

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

Pension expense recognized for the year ended June 30, 2023, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2023, were as follows:

	Primary Government	Component Unit Schools Agent Multiple Employer Plan	Teachers' Cost- Sharing Plan
Pension expense (recovery)	\$ 645,646	\$ (21,245)	\$ 368,162
Deferred outflows:			
Change of assumptions	\$ 674,579	\$ 11,230	\$ 1,203,144
Difference between expected and actual experience	326,279	2,701	-
Difference between change in proportionate share of contributions	-	-	271
Employer contributions subsequent to the measurement date	1,034,833	47,424	2,009,791
Total deferred outflows	\$ 2,035,691	\$ 61,355	\$ 3,213,206
Deferred inflows:			
Net difference between projected and actual earnings on pension plan investments	\$ 1,152,860	\$ 76,548	\$ 1,663,821
Difference between expected and actual experience	827,761	55,775	879,950
Difference between change in proportionate share of contributions	-	-	748,794
Total deferred inflows	\$ 1,980,621	\$ 132,323	\$ 3,292,565

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

15. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions
(Continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (reduction) to pension expense as follows:

Year Ended June 30,	Primary Government	Discretely Presented Component Unit School Board
2024	\$ (281,939)	\$ (768,692)
2025	(490,414)	(819,095)
2026	(753,479)	(1,320,087)
2027	546,069	700,332

Net pension liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 54,732,329
Plan fiduciary net position	<u>45,211,731</u>
Employers' net pension liability	<u>\$ 9,520,598</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS

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

Plan descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

General Employee Health Insurance Credit Program

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

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Plan descriptions (Continued)

General Employee Health Insurance Credit Program (Continued)

As of June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>City</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	<u>38</u>	<u>16</u>
Inactive members:		
Vested	1	-
Non-vested	-	-
Active elsewhere in VRS	<u>-</u>	<u>-</u>
Total inactive members	<u>39</u>	<u>16</u>
Active members	<u>119</u>	<u>22</u>
	<u>158</u>	<u>38</u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

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

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

Contributions:

Year Ended June 30, 2023	
Primary Government	\$ 41,172
Component Unit - School Board	\$ 71,180
Year Ended June 30, 2022	
Primary Government	\$ 37,790
Component Unit - School Board	\$ 69,333

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Contributions (Continued)

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2023 Contribution	\$ 151,920
June 30, 2022 Contribution	\$ 149,045

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

General Employment Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	
Primary Government	0.27% of covered employee compensation
Component Unit -School Board	1.17% of covered employee compensation
Contributions:	
Year Ended June 30, 2023	
Primary Government	\$ 19,045
Component Unit - School Board	\$ 7,326
Year Ended June 30, 2022	
Primary Government	\$ 17,402
Component Unit - School Board	\$ 5,477

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

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

Group Life Insurance Program - Primary Government

June 30, 2023 proportionate share of liability	\$ 387,358
June 30, 2022 proportion	0.03217%
June 30, 2021 proportion	0.03204%
June 30, 2023 expense	\$ 13,380

Group Life Insurance Program - Component Unit School Board

June 30, 2023 proportionate share of liability	\$ 710,778
June 30, 2022 proportion	0.05903%
June 30, 2021 proportion	0.06078%
June 30, 2023 expense	\$ 8,940

Teacher Health Insurance Credit Program

June 30, 2023 proportionate share of liability	\$ 1,650,740
June 30, 2022 proportion	0.13216%
June 30, 2021 proportion	0.13606%
June 30, 2023 expense	\$ 107,925

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

General Employee Health Insurance Credit Program - Primary Government

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 312,924	\$ 195,186	\$ 117,738
Changes for the year:			
Service cost	8,202	-	8,202
Interest	21,029	-	21,029
Change in assumptions	16,064	-	16,064
Difference between expected and actual experience	(13,870)	-	(13,870)
Contributions - employer	-	17,403	(17,403)
Contributions - employee	-	-	-
Net investment income	-	320	(320)
Benefit payments	(19,159)	(19,159)	-
Administrative expenses	-	(334)	334
Other changes	-	486	(486)
Net changes	12,266	(1,284)	13,550
Balances at June 30, 2022	\$ 325,190	\$ 193,902	\$ 131,288

In addition, for the year ended June 30, 2023, the City recognized OPEB expense of \$13,799 related to the General Employee Health Insurance Credit Program.

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

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

General Employee Health Insurance Credit Program - Component Unit School Board

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 66,897	\$ 9,130	\$ 57,767
Changes for the year:			
Service cost	964	-	964
Interest	4,334	-	4,334
Change in assumptions	6,495	-	6,495
Difference between expected and actual experience	(814)	-	(814)
Contributions - employer	-	5,478	(5,478)
Contributions - employee	-	-	-
Net investment income	-	26	(26)
Benefit payments	(7,316)	(7,316)	-
Administrative expenses	-	(13)	13
Other changes	-	2,470	(2,470)
Net changes	3,663	645	3,018
Balances at June 30, 2022	\$ 70,560	\$ 9,775	\$ 60,785

In addition, for the year ended June 30, 2023, the School's recognized OPEB expense of \$3,442 related to the Non-teacher Health Insurance Credit Program.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program - Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,674	\$ 15,540
Change in assumptions	14,448	37,730
Net difference between projected and actual earnings on OPEB plan investments	-	24,204
Changes in proportion	4,080	8,864
Employer contributions subsequent to the measurement date	41,172	-
	<u>\$ 90,374</u>	<u>\$ 86,338</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

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

Group Life Insurance Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,284	\$ 28,514
Change in assumptions	26,511	69,233
Net difference between projected and actual earnings on OPEB plan investments	-	44,413
Changes in proportion	699	49,576
Employer contributions subsequent to the measurement date	<u>71,180</u>	<u>-</u>
	<u><u>\$ 154,674</u></u>	<u><u>\$ 191,736</u></u>

General Employee Health Insurance Credit Program -Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,151	\$ 28,499
Change in assumptions	20,648	924
Net difference between projected and actual earnings on OPEB plan investments	-	4,786
Employer contributions subsequent to the measurement date	<u>19,045</u>	<u>-</u>
	<u><u>\$ 46,844</u></u>	<u><u>\$ 34,209</u></u>

General Employee Health Insurance Credit Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 520	\$ 3,385
Change in assumptions	5,522	-
Net difference between projected and actual earnings on OPEB plan investments	-	169
Employer contributions subsequent to the measurement date	<u>7,326</u>	<u>-</u>
	<u><u>\$ 13,368</u></u>	<u><u>\$ 3,554</u></u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

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

Teacher Health Insurance Credit Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 67,287
Change in assumptions	48,227	4,215
Net difference between projected and actual earnings on OPEB plan investments	-	1,657
Changes in proportionate share	-	108,390
Employer contributions subsequent to the measurement date	<u>151,920</u>	<u>-</u>
	<u><u>\$ 200,147</u></u>	<u><u>\$ 181,549</u></u>

The deferred outflows of resources related to OPEB resulting from the City and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program - Primary Government

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2024	\$ (7,265)
2025	(7,944)
2026	(20,736)
2027	1,402
2028	(2,593)
Thereafter	-

Group Life Insurance Program - Component Unit School Board

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2024	\$ (26,587)
2025	(24,019)
2026	(45,776)
2027	(2,499)
2028	(9,361)
Thereafter	-

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

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

General Employee Health Insurance Credit Program - Primary Government

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2024	\$ (1,317)
2025	(458)
2026	(5,030)
2027	935
2028	(777)
Thereafter	237

General Employee Health Insurance Credit Program - Component Unit School Board

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2024	\$ 1,079
2025	536
2026	750
2027	123
2028	-
Thereafter	-

Teacher Health Insurance Credit Program - Component Unit School Board

Year Ending June 30,	Increase (Reduction) to OPEB - Expense
2024	\$ (29,037)
2025	(28,264)
2026	(25,956)
2027	(16,712)
2028	(18,441)
Thereafter	(14,912)

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.50%
Salary increases, including inflation:	
Locality- general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Teachers	3.50 - 5.95%
Healthcare cost trend rates:	
Under age 65	7.00 - 4.75%
Ages 65 and older	5.25 - 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

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

Net OPEB liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Health Insurance Credit Program
Total OPEB Liability	\$ 3,672,085	\$ 1,470,891
Plan fiduciary net position	\$ 2,467,989	\$ 221,845
Employers' net OPEB liability	\$ 1,204,096	\$ 1,249,046
Plan fiduciary net position as a percentage of total OPEB liability	67.21%	15.08%

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Long-term expected rate of return

Group Life Insurance and Health Insurance Credit Programs

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20 %
	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u><u>7.83%</u></u>

*The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Discount rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
GLI net OPEB liability:			
Primary Government	\$ 563,651	\$ 387,358	\$ 244,889
Component Unit School Board	\$ 1,034,265	\$ 710,778	\$ 449,357
General Employee net HIC OPEB liability:			
Primary Government	\$ 165,554	\$ 131,288	\$ 102,129
Component Unit School Board	\$ 66,855	\$ 60,785	\$ 55,490
Teacher net HIC OPEB liability	\$ 1,860,403	\$ 1,650,740	\$ 1,473,014

OPEB plan fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

17. Other Postemployment Benefits Liability - Local Plan

Plan description

The City and Schools administer a single employer defined benefit postemployment healthcare plan that covers all current retirees and covered dependents and will provide coverage for all future retirees and their covered dependents. Employees who are eligible for the health plan under normal retirement must have a combination of age (minimum 50 years) and years of service (minimum of five years) equal to 70. For the Schools, no assets are accumulated in a trust that meets U.S. GAAP criteria. In accordance with Article 8, Chapter 15, Title 15.2 of the *Code of Virginia*, the City has elected to establish a pooled trust for the purpose of accumulating and investing assets to fund other postemployment benefits. The City, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund (Trust Fund), an irrevocable trust, with the purpose to fund other postemployment benefits. The Trust Fund issues separate financial statements, which can be obtained by requesting a copy from the Plan Administrator, VML/VACo Finance, 8 E. Canal Street, Richmond, Virginia 23219.

Benefits provided

City Plan

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

Schools' Plan

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

Employees covered by benefit terms

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

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Contributions

The City Council and the Schools have the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous healthcare coverage and the healthcare option selected by the retirees. The required employer contributions are financed based on a pay-as-you-go basis. In addition to ensuring current benefits are financed by current contributions, the City provides for funding to be made to the Virginia Pooled OPEB Trust as described in Note 2. The actuarially determined contribution for the City and Schools at June 30, 2023, was \$100,000 and \$18,752, respectively.

Actuarial assumptions and other inputs

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

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

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

General mortality rates

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

Teacher mortality rates

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Hazardous mortality rates

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

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

Discount rate

The discount rate used to measure the net OPEB liability was 3.65% based on yields for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate used in the current valuation is based on the 20-Bond GO index published by Bond Buyer as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in total retiree health insurance OPEB liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<u>Primary government</u>			
Balances at June 30, 2022	\$ 2,401,009	\$ 266,953	\$ 2,134,056
Changes for the year:			
Service cost	92,446	-	92,446
Interest	87,119	-	87,119
Differences between expected and actual experience	(28,834)	-	(28,834)
Assumption changes	(23,939)	-	(23,939)
Contributions - employer	-	100,000	(100,000)
Contributions - employee	-	87,389	(87,389)
Benefit payments	(64,941)	(152,329)	87,388
Net investment income	-	11,189	(11,189)
Net changes	<u>61,851</u>	<u>46,249</u>	<u>15,602</u>
Balances at June 30, 2023	<u>\$ 2,462,860</u>	<u>\$ 313,202</u>	<u>\$ 2,149,658</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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

Discretely presented Component Unit - School Board

Changes in the total OPEB liability

Balance at June 30, 2022	\$ 198,902
Changes for the year:	
Service cost	10,188
Interest	7,070
Benefit changes	-
Differences between expected and actual experience	-
Assumption or other input changes	(1,415)
Benefit payments	<u>(18,752)</u>
Net changes	<u>(2,909)</u>
Balance at June 30, 2023	<u>\$ 195,993</u>

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

The following presents the City's and School Board's retiree health insurance OPEB liability using the discount rate of 3.65%, as well as what the City and School Board's retiree health insurance OPEB liability would be if it were calculated using a discount rate that is one percentage lower (2.65%) or one percentage higher (4.65%) than the current rate:

	1% Decrease	Discount	1% Increase
	<u>2.65%</u>	<u>Rate</u>	<u>4.65%</u>
City's net retiree health insurance OPEB liability	<u>\$ 2,378,080</u>	<u>\$ 2,149,658</u>	<u>\$ 1,944,789</u>
School Board's total retiree health insurance OPEB liability (asset)	<u>\$ 209,238</u>	<u>\$ 195,993</u>	<u>\$ 183,621</u>

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

The following represents the City's and School Board's retiree health insurance OPEB liability using the healthcare trend rate of 5.70% decreasing to 3.58%, as well as what the City and School Board's total retiree health insurance OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage lower (4.70%) or one percentage higher (6.70%) than the current rate:

	1% Decrease	Healthcare	1% Increase
	<u>4.90%</u>	<u>Rate</u>	<u>6.90%</u>
City's net retiree health insurance OPEB liability	<u>\$ 1,905,174</u>	<u>\$ 2,149,658</u>	<u>\$ 2,434,780</u>
School Board's total retiree health insurance OPEB liability (asset)	<u>\$ 179,076</u>	<u>\$ 195,993</u>	<u>\$ 215,645</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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

For the year ended June 30, 2023, the City and School Board recognized retiree health insurance OPEB expense of \$260,117 and \$45,953, respectively. At June 30, 2023, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the retiree health insurance OPEB program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City		
Differences between expected and actual experience	\$ 261,058	\$ 22,962
Change in assumptions	127,146	291,183
Net differences between projected and actual earnings	<u>31,675</u>	<u>7,615</u>
	<u><u>\$ 419,879</u></u>	<u><u>\$ 321,760</u></u>
School Board		
Differences between expected and actual experience	\$ 104,693	\$ -
Change in assumptions	<u>2,942</u>	<u>34,278</u>
	<u><u>\$ 107,635</u></u>	<u><u>\$ 34,278</u></u>

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

<u>Year Ending June 30,</u>	<u>City</u>	<u>School Board</u>
2024	\$ 48,958	\$ 28,695
2025	37,929	25,530
2026	35,007	17,211
2027	(23,775)	2,161
2028	-	(235)
Thereafter	-	(5)

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

18. OPEB Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total City</u>	<u>Total School Board</u>
Net OPEB liability:				
Local Plan	\$ 2,066,232	\$ 83,426	\$ 2,149,658	\$ 195,993
Group Life Insurance Program	372,325	15,033	387,358	710,778
Health Insurance Credit Program	126,193	5,095	131,288	60,785
Teacher Health Insurance Credit Program	-	-	-	1,650,740
Total net OPEB liability	<u>\$ 2,564,750</u>	<u>\$ 103,554</u>	<u>\$ 2,668,304</u>	<u>\$ 2,618,296</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total City</u>	<u>Total School Board</u>
OPEB expense:				
Local Plan	\$ 250,022	\$ 10,095	\$ 260,117	\$ 45,953
Group Life Insurance Program	12,861	519	13,380	8,940
Health Insurance Credit Program	13,263	536	13,799	3,442
Teacher Health Insurance Credit Program	-	-	-	107,925
Total OPEB expense	<u>\$ 276,146</u>	<u>\$ 11,150</u>	<u>\$ 287,296</u>	<u>\$ 166,260</u>
Deferred outflows:				
Local Plan	\$ 403,582	\$ 16,297	\$ 419,879	\$ 107,635
Group Life Insurance Program	86,867	3,507	90,374	154,674
Health Insurance Credit Program	45,027	1,817	46,844	13,368
Teacher Health Insurance Credit Program	-	-	-	200,147
Total deferred outflows	<u>\$ 535,476</u>	<u>\$ 21,621</u>	<u>\$ 557,097</u>	<u>\$ 475,824</u>
Deferred inflows:				
Local Plan	\$ 309,273	\$ 12,487	\$ 321,760	\$ 34,278
Group Life Insurance Program	82,987	3,351	86,338	191,736
Health Insurance Credit Program	32,881	1,327	34,208	3,554
Teacher Health Insurance Credit Program	-	-	-	181,549
Total deferred inflows	<u>\$ 425,141</u>	<u>\$ 17,165</u>	<u>\$ 442,306</u>	<u>\$ 411,117</u>

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

19. Leases

City as Lessor

The City, as a lessor, has entered into three agreements for the lease of real property to be used by the lessees as sites for communications towers/equipment. During the year ended June 30, 2023, the City recognized lease and interest revenue of \$71,266 and \$55,802, respectively, related to these leases. The leases are as follows:

1. An initial lease receivable was recorded in the amount of \$432,987. As of June 30, 2023, the value of the lease receivable is \$418,333. The lessee was required to make an annual payment of \$19,008 in 2023 with the payment increasing by 20% for 2024 and subsequently increasing 20% every five years thereafter through 2043. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2023, was \$409,308, and the City recognized lease revenue of \$20,552 during the year.
2. An initial lease receivable was recorded in the amount of \$489,156. As of June 30, 2023, the value of the lease receivable is \$465,878. The lessee is required to make annual payments of \$20,736 through 2024 with the payment increasing by 20% for 2025 and subsequently increasing 20% every five years thereafter through 2044. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2023, was \$445,022, and the City recognized lease revenue of \$22,067 during the year.
3. An initial lease receivable was recorded in the amount of \$816,448. As of June 30, 2023, the value of the lease receivable is \$807,684. The lessee was required to make monthly payments of \$2,566 through December 2022 with the payments increasing by 3% annually through 2049. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2023, was \$759,155, and the City recognized lease revenue of \$28,647 during the year.

The future payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2024	\$ 24,545	\$ 55,333	\$ 79,878
2025	26,335	54,509	80,844
2026	28,213	53,626	81,839
2027	30,183	52,680	82,863
2028	36,811	51,668	88,479
2029-2033	253,132	236,592	489,724
2034-2038	394,100	185,501	579,601
2039-2043	530,490	108,381	638,871
2044-2048	269,088	39,534	308,622
2049-2053	<u>98,998</u>	<u>2,583</u>	<u>101,581</u>
Total future payments	<u>\$ 1,691,895</u>	<u>\$ 840,407</u>	<u>\$ 2,532,302</u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

20. Subscription-Based Information Technology Arrangements

City

The City has a subscription-based information technology arrangement for public safety software. During 2023, the City adopted GASB 96, *Subscription-based Information Technology Arrangements*, and recognized a subscription asset and intangible right-to-use subscription liability, discounted at 4.75%, in the statement of net position and also recognized subscription amortization and interest expense of \$20,654 and \$1,950, respectively, which are included in the statement of activities in expenses, for the fiscal year ended June 30, 2023:

Intangible right-to-use subscription liability - July 1, 2022	\$ -
Additions	48,385
Subtractions	<u>-</u>
Balance - June 30, 2023	48,385
Less - current portion of intangible right-to-use subscription liability	<u>(23,619)</u>
Long-term intangible right-to-use subscription liability - June 30, 2023	<u><u>\$ 24,766</u></u>

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 23,619	\$ 2,349	\$ 25,968
2025	<u>24,766</u>	<u>1,202</u>	<u>25,968</u>
	<u><u>\$ 48,385</u></u>	<u><u>\$ 3,551</u></u>	<u><u>\$ 51,936</u></u>

School Board

The School Board has a subscription-based information technology arrangement for a communication platform. During 2023, the School Board adopted GASB 96, *Subscription-based Information Technology Arrangements*, and recognized a subscription asset and intangible right-to-use subscription liability, discounted at 4.75%, in the statement of net position and also recognized subscription amortization and interest expense of \$6,837 and \$1,295, respectively, which are included in the statement of activities in expenses, for the fiscal year ended June 30, 2023:

Intangible right-to-use subscription liability - July 1, 2022	\$ 34,185
Additions	-
Subtractions	<u>(7,500)</u>
Balance - June 30, 2023	26,685
Less - current portion of intangible right-to-use subscription liability	<u>(6,205)</u>
Long-term intangible right-to-use subscription liability - June 30, 2023	<u><u>\$ 20,480</u></u>

(Continued)

CITY OF POQUOSON, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

20. Subscription-Based Information Technology Arrangements (Continued)

School Board (Continued)

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,205	\$ 1,295	\$ 7,500
2025	6,506	994	7,500
2026	6,822	678	7,500
2027	<u>7,152</u>	<u>348</u>	<u>7,500</u>
	<u>\$ 26,685</u>	<u>\$ 3,315</u>	<u>\$ 30,000</u>

21. Subsequent Events

In July 2023, the City issued \$2 million in general obligation bonds bearing 4.45% interest related to the purchase of a fire truck for \$1,671,695. Additionally, in September 2023, the City entered into a \$9,269,000 contract for the construction of a new public safety building.

22. New Accounting Standards

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES	City TRD.FD[010] OBUDGET[19]	City TRD.FD[010] FBUDGET[19]	City TRD.FD[010] BUDACT[17]	
Revenue from local sources				
General property taxes:				
Real property taxes	\$ 19,625,700	\$ 19,625,700	\$ 19,608,378	\$ (17,322)
Public service corporation property taxes	242,000	242,000	269,567	27,567
Personal property	4,026,502	4,026,502	4,523,567	497,065
Penalties and interest	143,000	143,000	195,327	52,327
Total general property taxes	24,037,202	24,037,202	24,596,839	559,637
Other local taxes:				
Sales and use taxes	1,406,000	1,406,000	1,399,477	(6,523)
Meals taxes	840,000	840,000	1,038,194	198,194
Cigarette taxes	65,000	65,000	77,846	12,846
Consumers' utility taxes	312,000	312,000	316,152	4,152
Consumption tax	40,000	40,000	38,727	(1,273)
Business license taxes	446,000	446,000	599,477	153,477
Bank stock taxes	23,000	23,000	17,849	(5,151)
Recordation and wills taxes	275,000	275,000	194,458	(80,542)
Deeds of conveyance	70,000	70,000	49,657	(20,343)
Total other local taxes	3,477,000	3,477,000	3,731,837	254,837
Permits, privilege fees and regulatory licenses:				
Animal license	1,000	1,000	1,175	175
Permits and other licenses	136,000	136,000	304,003	168,003
Total permits, privilege fees, and and regulatory licenses	137,000	137,000	305,178	168,178
Fines and forfeitures	42,000	42,000	47,593	5,593
Revenue from use of money and property:				
Revenue from use of money	50,000	100,000	961,830	861,830
Revenue from use of property	166,300	166,300	224,479	58,179
Total revenue from use of money and property	216,300	266,300	1,186,309	920,009
Charges for services:				
Charges for copying	6,000	6,000	4,246	(1,754)
Charges for passport processing	55,000	55,000	66,163	11,163
Charges for library and fees	10,600	10,600	11,912	1,312
EMS revenue recovery	360,000	360,000	414,363	54,363
Charges for parks and recreation programs	131,600	131,600	149,297	17,697
Charges for pool	85,275	85,275	86,869	1,594
Charges for events	144,605	144,605	183,081	38,476
Total charges for services	793,080	793,080	915,931	122,851

(Continued)

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES (Continued)				
Miscellaneous revenues:				
Miscellaneous	\$ -	\$ 74,358	\$ 103,401	\$ 29,043
Donations:				
Library	-	11,483	11,489	6
Police	-	2,279	2,828	549
Total miscellaneous revenues	-	88,120	117,718	29,598
Intergovernmental:				
Revenues from the Commonwealth:				
Noncategorical aid:				
DMV reimbursement	130,000	130,000	137,429	7,429
Gaming fee	-	-	967	967
Mobile home titling taxes	20,000	20,000	22,544	2,544
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
Total noncategorical aid	2,073,435	2,073,435	2,084,371	10,936
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	122,120	122,120	146,889	24,769
Treasurer	110,400	110,400	130,936	20,536
Registrar/electoral board	75,135	75,135	66,030	(9,105)
Total shared expenses	307,655	307,655	343,855	36,200
Other categorical aid:				
State 599 police funds	259,380	259,380	285,151	25,771
Fire and EMS	69,000	73,691	112,637	38,946
Department of Emergency Services	20,000	20,000	51,457	31,457
Street and highway maintenance	950,000	950,000	950,000	-
Litter control	7,100	9,570	9,570	-
Library	165,523	188,851	181,715	(7,136)
Comprehensive Services Act	252,000	252,000	242,862	(9,138)
State drug seizure	-	-	1,107	1,107
Other state grants	4,000	117,451	86,648	(30,803)
Total other categorical aid	1,727,003	1,870,943	1,921,147	50,204
Total categorical aid	2,034,658	2,178,598	2,265,002	86,404
Total revenues from the Commonwealth	4,108,093	4,252,033	4,349,373	97,340
Revenues from the federal government:				
Federal grants	22,325	84,219	40,879	(43,340)

(Continued)

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

CITY OF POQUOSON, VIRGINIA

Exhibit L

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES (Continued)				
Other financing sources:				
Transfer from Sewer Fund	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Transfer from Solid Waste Fund	50,000	50,000	50,000	-
Use of fund balance	-	1,688,104	-	(1,688,104)
Total other financing sources	300,000	1,988,104	300,000	(1,688,104)
Total revenues and other financing sources	33,133,000	35,165,058	35,591,657	426,599
EXPENDITURES AND OTHER FINANCING USES				
General government administration:				
Legislative - City Council	95,493	95,493	81,718	13,775
General and financial administration:				
City Manager	552,673	571,123	571,105	18
Legal services	120,305	120,305	106,953	13,352
Independent auditor	65,000	65,000	55,767	9,233
Commissioner of the Revenue	393,462	396,462	396,366	96
Assessor/equalization board	249,342	249,342	245,237	4,105
Treasurer	374,443	374,443	359,231	15,212
Finance	616,954	616,954	607,323	9,631
Technology	118,000	118,000	117,301	699
Risk management	47,157	332,228	300,524	31,704
Total general and financial administration	2,537,336	2,843,857	2,759,807	84,050
Board of Elections -				
Electoral Board and Registrar	235,884	235,884	216,245	19,639
Total general government administration	2,868,713	3,175,234	3,057,770	117,464
Judicial administration:				
Courts	233,116	236,902	236,902	-
Sheriff	186,758	186,758	186,758	-
Total judicial administration	419,874	423,660	423,660	-
Public safety:				
Law enforcement and traffic control -				
police department	3,689,506	4,026,524	3,925,023	101,501
Fire and rescue services - fire department	4,064,507	4,233,470	4,233,187	283
Correction and detention - regional				
operated institutions	304,328	304,328	304,326	2
Inspections - various	307,553	359,953	359,914	39
Other protection - animal control	89,316	89,316	69,822	19,494
Total public safety	8,455,210	9,013,591	8,892,272	121,319

(Continued)

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
EXPENDITURES AND OTHER FINANCING USES (Continued)				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 240,056	\$ 242,556	\$ 242,473	\$ 83
Highways, streets, bridges, and sidewalks	1,797,616	1,742,390	1,555,425	186,965
Street lights	80,000	149,892	149,891	1
Total maintenance of highways, streets, bridges, and sidewalks	2,117,672	2,134,838	1,947,789	187,049
Maintenance of general buildings and grounds	206,252	299,697	299,350	347
Total public works	2,323,924	2,434,535	2,247,139	187,396
Health and welfare:				
Health:				
Local health department	54,771	63,507	63,507	-
Mosquito control	308,023	308,003	246,852	61,151
Total health	362,794	371,510	310,359	61,151
Mental health and mental retardation - mental health	190,000	190,000	190,000	-
Welfare:				
Social Services	323,450	323,450	327,064	(3,614)
Children Services Act	350,000	350,000	302,574	47,426
Total welfare	673,450	673,450	629,638	43,812
Total health and welfare	1,226,244	1,234,960	1,129,997	104,963
Education - Schools	11,059,602	11,757,582	10,488,504	1,269,078
Parks, recreation, and cultural:				
Supervision of parks and recreation	563,208	563,208	554,750	8,458
Pool operations	188,663	234,288	234,288	-
Seafood Festival events	249,211	281,907	277,486	4,421
Library - administration	1,018,854	1,069,409	1,032,114	37,295
Total parks, recreation, and cultural	2,019,936	2,148,812	2,098,638	50,174
Community development:				
Planning	428,963	472,993	449,436	23,557
Economic development	111,214	126,989	111,555	15,434
Community development	135,792	138,262	131,004	7,258
Total community development	675,969	738,244	691,995	46,249

(Continued)

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED - BUDGET BASIS)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
EXPENDITURES AND OTHER FINANCING USES (Continued)				
Nondepartmental:				
Nondepartmental - miscellaneous	\$ 42,139	\$ 36,051	\$ 36,032	\$ 19
Department of Motor Vehicles Select	158,389	158,389	158,103	286
Total nondepartmental	200,528	194,440	194,135	305
Economic Development Authority	21,000	21,000	21,000	-
Capital outlay	-	-	74,353	(74,353)
Other financing uses:				
Subscription financing	-	-	(48,385)	48,385
Transfers to Debt Service Fund	3,795,000	3,795,000	3,795,000	-
Transfers to Capital Projects Fund	67,000	228,000	228,000	-
Total other financing uses	3,862,000	4,023,000	3,974,615	48,385
Total expenditures and other financing uses	33,133,000	35,165,058	33,294,078	1,870,980
Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	2,297,579	<u>\$ 2,297,579</u>
Less encumbrances beginning of year, actually expended as of end of year			(143,192)	
Add encumbrances outstanding end of year			<u>242,086</u>	
Excess of revenues and other financing sources over expenditures and other financing uses U.S. GAAP basis			2,396,473	
FUND BALANCE, June 30, 2022			<u>12,756,087</u>	
FUND BALANCE, June 30, 2023			<u>\$ 15,152,560</u>	

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

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

	Plan Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY									
Service cost	\$ 991,089	\$ 923,895	\$ 931,547	\$ 791,275	\$ 818,997	\$ 724,837	\$ 713,981	\$ 668,757	\$ 699,997
Interest	2,662,047	2,514,455	2,321,430	2,230,741	2,124,606	2,087,510	1,999,442	1,940,826	1,830,447
Changes of assumptions	-	1,487,323	-	1,002,882	-	(350,459)	-	-	-
Difference between expected and actual experience	148,216	(1,825,063)	1,314,714	184,088	299,978	(525,567)	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(2,017,124)	(1,793,189)	(1,622,933)	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Net change in total pension liability	1,784,228	1,307,421	2,944,758	2,461,600	1,536,232	830,918	1,321,936	849,007	1,577,734
Total pension liability, beginning	39,455,206	38,147,785	35,203,027	32,741,427	31,205,195	30,374,277	29,052,341	28,203,334	26,625,600
Total pension liability, ending (a)	<u>\$ 41,239,434</u>	<u>\$ 39,455,206</u>	<u>\$ 38,147,785</u>	<u>\$ 35,203,027</u>	<u>\$ 32,741,427</u>	<u>\$ 31,205,195</u>	<u>\$ 30,374,277</u>	<u>\$ 29,052,341</u>	<u>\$ 28,203,334</u>
PLAN FIDUCIARY NET POSITION									
Contributions - employer	\$ 912,520	\$ 872,454	\$ 679,011	\$ 649,728	\$ 534,293	\$ 527,937	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	346,944	321,366	327,995	312,348	305,122	319,696	285,757	282,529	274,820
Net investment income	(32,830)	8,775,477	613,743	2,037,562	2,181,520	3,261,440	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(2,017,124)	(1,793,189)	(1,622,933)	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Administrative expenses	(25,144)	(21,817)	(20,983)	(20,533)	(19,140)	(18,731)	(16,118)	(15,704)	(18,572)
Other changes	928	829	(726)	(1,286)	(1,924)	(2,903)	(196)	(243)	199
Net change in plan fiduciary net position	(814,706)	8,155,120	(23,893)	1,230,433	1,292,522	2,982,036	508,383	1,054,254	3,263,641
Plan fiduciary net position, beginning	40,354,172	32,199,052	32,222,945	30,992,512	29,699,990	26,717,954	26,209,571	25,155,317	21,891,693
Plan fiduciary net position, ending (b)	<u>\$ 39,539,466</u>	<u>\$ 40,354,172</u>	<u>\$ 32,199,052</u>	<u>\$ 32,222,945</u>	<u>\$ 30,992,512</u>	<u>\$ 29,699,990</u>	<u>\$ 26,717,954</u>	<u>\$ 26,209,571</u>	<u>\$ 25,155,334</u>
Net pension liability (asset), ending (a) - (b)	<u>\$ 1,699,968</u>	<u>\$ (898,966)</u>	<u>\$ 5,948,733</u>	<u>\$ 2,980,082</u>	<u>\$ 1,748,915</u>	<u>\$ 1,505,205</u>	<u>\$ 3,656,323</u>	<u>\$ 2,842,770</u>	<u>\$ 3,048,000</u>
Plan fiduciary net position as a percentage of the total pension liability	95.88%	102.28%	84.41%	91.53%	94.66%	95.18%	87.96%	90.22%	89.19%
Covered payroll	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974	\$ 5,499,693
Net pension liability (asset) as a percentage of covered payroll	24.38%	-13.60%	88.27%	46.64%	28.18%	24.73%	63.46%	50.04%	55.42%
SCHEDULE OF EMPLOYER CONTRIBUTIONS									
Contractually required contribution	\$ 1,034,833	\$ 912,520	\$ 895,472	\$ 701,572	\$ 665,127	\$ 545,751	\$ 527,937	\$ 720,636	\$ 619,948
Contribution in relation to contractually required contribution	1,034,833	912,520	895,472	700,809	671,001	606,319	594,684	747,041	725,460
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763</u>	<u>\$ (5,874)</u>	<u>\$ (60,568)</u>	<u>\$ (66,747)</u>	<u>\$ (26,405)</u>	<u>\$ (105,512)</u>
Covered payroll	\$ 7,624,453	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	13.57%	13.09%	13.55%	10.40%	10.50%	9.77%	9.77%	12.97%	12.77%

Note to Schedule:

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

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

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

	Plan Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY									
Service cost	\$ 38,767	\$ 47,553	\$ 48,576	\$ 47,094	\$ 52,308	\$ 54,653	\$ 59,525	\$ 55,952	\$ 62,503
Interest	176,803	164,808	157,916	156,768	156,761	160,141	152,141	147,547	143,652
Changes of assumptions	-	88,678	-	57,383	-	11,087	-	-	-
Difference between expected and actual experience	(121,393)	21,327	52,913	(5,930)	(52,431)	(127,994)	51,061	20,244	-
Benefit payments, including refunds of employee contributions	(205,660)	(161,184)	(153,418)	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Net change in total pension liability	(111,483)	161,182	105,987	98,001	897	(38,727)	102,456	67,791	61,078
Total pension liability, beginning	2,683,374	2,522,192	2,416,205	2,318,204	2,317,307	2,356,034	2,253,578	2,185,787	2,124,709
Total pension liability, ending (a)	<u>\$ 2,571,891</u>	<u>\$ 2,683,374</u>	<u>\$ 2,522,192</u>	<u>\$ 2,416,205</u>	<u>\$ 2,318,204</u>	<u>\$ 2,317,307</u>	<u>\$ 2,356,034</u>	<u>\$ 2,253,578</u>	<u>\$ 2,185,787</u>
PLAN FIDUCIARY NET POSITION									
Contributions - employer	\$ 45,713	\$ 43,124	\$ 40,959	\$ 39,277	\$ 51,238	\$ 55,375	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	23,112	22,931	25,398	24,035	24,084	25,660	24,934	25,682	23,877
Net investment income	(1,904)	567,975	40,927	138,194	149,347	227,250	32,149	86,123	264,482
Benefit payments, including refunds of employee contributions	(205,660)	(161,184)	(153,418)	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Administrative expenses	(1,635)	(1,465)	(1,442)	(1,434)	(1,330)	(1,339)	(1,222)	(1,229)	(1,455)
Other changes	58	53	(48)	(87)	(132)	(201)	(14)	(16)	(14)
Net change in plan fiduciary net position	(140,316)	471,434	(47,624)	42,671	67,466	170,131	(41,673)	18,732	211,881
Plan fiduciary net position, beginning	2,592,952	2,121,518	2,169,142	2,126,471	2,059,005	1,888,874	1,930,547	1,911,815	1,699,906
Plan fiduciary net position, ending (b)	<u>\$ 2,452,636</u>	<u>\$ 2,592,952</u>	<u>\$ 2,121,518</u>	<u>\$ 2,169,142</u>	<u>\$ 2,126,471</u>	<u>\$ 2,059,005</u>	<u>\$ 1,888,874</u>	<u>\$ 1,930,547</u>	<u>\$ 1,911,787</u>
Net pension liability, ending (a) - (b)	<u>\$ 119,255</u>	<u>\$ 90,422</u>	<u>\$ 400,674</u>	<u>\$ 247,063</u>	<u>\$ 191,733</u>	<u>\$ 258,302</u>	<u>\$ 467,160</u>	<u>\$ 323,031</u>	<u>\$ 274,000</u>
Plan fiduciary net position as a percentage of the total pension liability	95.36%	96.63%	84.11%	89.77%	91.73%	88.85%	80.17%	85.67%	87.46%
Employer's covered payroll*	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843	\$ 508,270
Net pension liability as a percentage of covered payroll	22.9%	17.5%	69.83%	45.92%	36.38%	46.74%	88.39%	52.62%	53.91%
SCHEDULE OF EMPLOYER CONTRIBUTIONS									
Contractually required contribution	\$ 47,424	\$ 45,713	\$ 49,416	\$ 47,566	\$ 44,606	\$ 55,965	\$ 58,689	\$ 64,375	\$ 74,766
Contribution in relation to contractually required contribution	47,424	45,713	49,416	47,566	44,606	55,965	58,689	64,375	74,766
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 626,113	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered payroll	7.57%	8.76%	9.57%	8.29%	8.29%	10.62%	10.62%	12.18%	12.18%

Note to Schedule:

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

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

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

	Plan Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS									
Employer's Proportion of the net pension liability	0.13404%	0.13798%	0.14042%	0.14177%	0.14390%	0.14631%	0.14548%	0.14682%	0.14753%
Employer's proportionate share of the net pension liability	\$ 12,761,410	\$ 10,711,522	\$ 20,434,798	\$ 18,657,738	\$ 16,923,000	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 62,503
Employer's covered payroll	12,317,738	12,032,677	12,186,554	11,803,449	11,559,264	11,491,017	11,097,066	10,969,314	10,827,561
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	103.60%	89.02%	167.68%	158.07%	146.40%	156.58%	183.72%	168.46%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	85.46%	72.15%	72.92%	72.92%	72.92%	68.28%	7.68%	70.88%
SCHEDULE OF EMPLOYER CONTRIBUTIONS									
Contractually required contribution	\$ 2,009,791	\$ 1,991,242	\$ 1,999,831	\$ 1,910,852	\$ 1,850,781	\$ 1,886,472	\$ 1,684,583	\$ 1,609,075	\$ 1,590,551
Contribution in relation to contractually required contribution	2,009,791	1,991,242	1,999,831	1,910,852	1,850,781	1,886,472	1,684,583	1,609,075	1,590,551
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,555,408	\$ 12,317,738	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	16.01%	16.17%	16.62%	15.68%	15.68%	16.32%	14.66%	14.50%	14.50%

Note to Schedule:

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

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 92,446	\$ 89,285	\$ 98,205	\$ 70,219	\$ 67,825	\$ 77,260
Interest	87,119	47,956	54,480	76,258	74,639	56,357
Change in benefit terms	-	-	-	-	-	695,727
Change of assumptions	(23,939)	(400,310)	69,040	222,372	-	626,795
Difference between expected and actual experience	(28,834)	301,801	8,469	92,560	11,543	(280,164)
Benefit payments, including refunds of member contributions	(64,940)	(71,018)	(126,272)	(152,593)	(100,431)	(47,037)
Net change in total OPEB liability	61,852	(32,286)	103,922	308,816	53,576	1,128,938
Total OPEB liability, beginning	2,401,009	2,433,295	2,329,373	2,020,557	1,966,981	838,043
Total OPEB liability, ending (a)	<u>\$ 2,462,861</u>	<u>\$ 2,401,009</u>	<u>\$ 2,433,295</u>	<u>\$ 2,329,373</u>	<u>\$ 2,020,557</u>	<u>\$ 1,966,981</u>
PLAN FIDUCIARY NET OPEB						
Contributions - employer	\$ 100,000	\$ 104,388	\$ 88,142	\$ 101,068	\$ 167,239	\$ 106,774
Contributions - employee	87,389	93,491	112,994	93,755	83,763	70,306
Net investment income (loss)	11,189	(27,017)	32,318	10,214	547	238
Benefit payments	(152,329)	(164,509)	(186,136)	(179,823)	(148,629)	(92,170)
Net change in plan fiduciary net position	46,249	6,353	47,318	25,214	102,920	85,148
Plan fiduciary net position, beginning	266,953	260,600	213,282	188,068	85,148	-
Plan fiduciary net position, ending (b)	<u>\$ 313,202</u>	<u>\$ 266,953</u>	<u>\$ 260,600</u>	<u>\$ 213,282</u>	<u>\$ 188,068</u>	<u>\$ 85,148</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 2,149,659</u>	<u>\$ 2,134,056</u>	<u>\$ 2,172,695</u>	<u>\$ 2,116,091</u>	<u>\$ 1,832,489</u>	<u>\$ 1,881,833</u>
Plan fiduciary net position as a percentage of the total pension liability	12.72%	11.12%	10.71%	9.16%	9.31%	4.33%
Employer's covered payroll*	\$ 8,460,425	\$ 8,254,073	\$ 8,216,810	\$ 7,743,990	\$ 7,562,087	\$ 7,020,980
Net pension liability as a percentage of covered payroll	25.4%	25.9%	26.44%	27.33%	24.23%	26.80%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2023	\$ 100,000	\$ 100,000	\$ -	\$ 8,460,425	1.18%
June 30, 2022	104,388	104,388	-	8,254,073	1.26%
June 30, 2021	88,142	88,142	-	8,216,810	1.07%
June 30, 2020	101,068	101,068	-	7,743,990	1.31%
June 30, 2019	167,239	167,239	-	7,562,087	2.21%
June 30, 2018	106,774	106,774	-	7,020,980	1.52%

Note to Schedule:

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

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 10,188	\$ 15,793	\$ 15,247	\$ 12,225	\$ 11,808	\$ 15,200
Interest	7,070	4,482	4,960	7,794	7,657	10,003
Change of assumptions	(1,415)	(30,664)	4,586	887	-	134,473
Difference between expected and actual experience	-	40,275	70	4,477	126,552	(58,566)
Benefit payments, including refunds of member contributions	<u>(18,752)</u>	<u>(48,655)</u>	<u>(15,114)</u>	<u>(20,598)</u>	<u>(143,973)</u>	<u>(180,365)</u>
Net change in total OPEB liability (asset)	(2,909)	(18,769)	9,749	4,785	2,044	(79,255)
Total OPEB liability, beginning	<u>198,902</u>	<u>217,671</u>	<u>207,922</u>	<u>203,137</u>	<u>201,093</u>	<u>280,348</u>
Total OPEB liability*, ending (a)	<u><u>\$ 195,993</u></u>	<u><u>\$ 198,902</u></u>	<u><u>\$ 217,671</u></u>	<u><u>\$ 207,922</u></u>	<u><u>\$ 203,137</u></u>	<u><u>\$ 201,093</u></u>
Covered-employee payroll	\$ 13,227,075	\$ 12,904,463	\$ 12,596,313	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Net pension liability as a percentage of covered-employee payroll	1.48%	1.54%	1.73%	1.64%	1.65%	1.68%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Contributions	\$ 18,752	\$ 48,655	\$ 15,114	\$ 20,598	\$ 143,973	\$ 180,365
Employer's Covered Payroll	\$ 13,227,075	\$ 12,904,463	\$ 12,596,313	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Contributions as a % of Covered-Employee Payroll	0.14%	0.38%	0.12%	0.16%	1.17%	1.50%

Note to Schedule:

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

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL GLI OPEB LIABILITY						
Employer's Proportion of the net GLI OPEB liability	0.03217%	0.03204%	0.03278%	0.03261%	0.03274%	0.03300%
Employer's proportionate share of the net						
GLI OPEB liability	\$ 387,358	\$ 373,031	\$ 547,045	\$ 530,652	\$ 497,000	\$ 497,000
Covered payroll	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833
Employer's proportionate share of the net GLI OPEB						
liability as a percentage of its covered payroll	5.55%	5.64%	8.12%	8.31%	8.01%	8.17%
Plan fiduciary net position as a percentage of the						
total GLI OPEB liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2023	\$ 41,172	\$ 41,172	\$ -	\$ 7,624,453	0.54%
June 30, 2022	37,790	37,790	-	6,973,784	0.54%
June 30, 2021	34,365	35,178	(813)	6,608,649	0.53%
June 30, 2020	35,045	35,077	(32)	6,739,407	0.52%
June 30, 2019	33,224	33,243	(19)	6,389,305	0.52%
June 30, 2018	32,271	32,368	(97)	6,205,925	0.52%
June 30, 2017	31,652	31,652	-	6,086,833	0.52%
June 30, 2016	30,535	27,660	2,875	5,761,310	0.48%
June 30, 2015	30,109	27,243	2,866	5,680,974	0.48%

Notes to Schedule:

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

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

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

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL GLI OPEB LIABILITY						
Employer's Proportion of the net GLI OPEB liability	0.05903%	0.06078%	0.06200%	0.06296%	0.06352%	0.06525%
Employer's proportionate share of the net						
GLI OPEB liability	\$ 710,778	\$ 707,645	\$ 1,034,679	\$ 1,024,528	\$ 964,000	\$ 982,000
Covered payroll	\$ 12,839,394	\$ 12,549,041	\$ 12,760,325	\$ 12,341,515	\$ 12,086,237	\$ 12,043,641
Employer's proportionate share of the net GLI OPEB						
liability as a percentage of its covered payroll	5.54%	5.64%	8.11%	8.30%	7.98%	8.15%
Plan fiduciary net position as a percentage of the						
total GLI OPEB liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
June 30, 2023	\$ 71,180	\$ 71,180	\$ -	\$ 13,181,521	0.54%
June 30, 2022	69,333	69,333	-	12,839,394	0.54%
June 30, 2021	67,765	67,765	-	12,549,041	0.54%
June 30, 2020	66,354	66,354	-	12,760,325	0.52%
June 30, 2019	64,176	64,176	-	12,341,515	0.52%
June 30, 2018	62,848	62,848	-	12,086,237	0.52%
June 30, 2017	62,627	62,627	-	12,043,641	0.52%
June 30, 2016	55,803	55,803	-	11,625,597	0.48%
June 30, 2015	55,599	55,599	-	11,583,157	0.48%

Notes to Schedule:

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

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

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

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

	Plan Year					
	2022	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY						
Service cost	\$ 8,202	\$ 6,950	\$ 6,858	\$ 6,318	\$ 7,276	\$ 6,604
Interest	21,029	20,550	20,508	18,846	18,485	18,543
Changes of assumptions	16,064	6,168	-	7,342	-	(11,226)
Difference between expected and actual experience	(13,870)	(16,211)	(9,072)	19,919	(2,122)	-
Benefit payments, including refunds of member contributions	(19,159)	(17,950)	(17,398)	(18,268)	(18,707)	(10,779)
Net change in total HIC OPEB liability	12,266	(493)	896	34,157	4,932	3,142
Total HIC OPEB liability, beginning	312,924	313,417	312,521	278,364	273,432	270,290
Total HIC OPEB liability, ending (a)	<u>\$ 325,190</u>	<u>\$ 312,924</u>	<u>\$ 313,417</u>	<u>\$ 312,521</u>	<u>\$ 278,364</u>	<u>\$ 273,432</u>
PLAN FIDUCIARY NET POSITION						
Contributions - employer	\$ 17,403	\$ 16,546	\$ 16,884	\$ 16,003	\$ 14,891	\$ 14,537
Contributions - employee	-	-	-	-	-	-
Net investment income	320	40,690	3,100	9,308	10,020	14,538
Benefit payments, including refunds of member contributions	(19,159)	(17,950)	(17,398)	(18,268)	(18,707)	(10,779)
Administrative expenses	(334)	(482)	(297)	(203)	(232)	(243)
Other changes	486	-	(1)	(11)	(719)	719
Net change in plan fiduciary net position	(1,284)	38,804	2,288	6,829	5,253	18,772
Plan fiduciary net position, beginning	195,186	156,382	154,094	147,265	142,012	123,240
Plan fiduciary net position, ending (b)	<u>\$ 193,902</u>	<u>\$ 195,186</u>	<u>\$ 156,382</u>	<u>\$ 154,094</u>	<u>\$ 147,265</u>	<u>\$ 142,012</u>
Net HIC OPEB liability, ending (a) - (b)	<u>\$ 131,288</u>	<u>\$ 117,738</u>	<u>\$ 157,035</u>	<u>\$ 158,427</u>	<u>\$ 131,099</u>	<u>\$ 131,420</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	59.63%	62.37%	49.90%	49.31%	52.90%	51.94%
Covered payroll	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 5,591,072
Net HIC OPEB liability as a percentage of covered payroll	1.88%	1.78%	2.33%	2.48%	2.11%	2.35%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2023	\$ 19,045	\$ 19,045	\$ -	\$ 7,053,630	0.27%
June 30, 2022	17,402	17,402	-	6,973,784	0.25%
June 30, 2021	17,843	16,885	959	6,608,649	0.26%
June 30, 2020	18,196	16,884	1,312	6,739,407	0.25%
June 30, 2019	17,251	16,003	1,248	6,389,305	0.25%
June 30, 2018	16,135	14,894	1,241	6,205,925	0.24%
June 30, 2017	14,537	14,537	-	5,591,072	0.26%
June 30, 2016	15,379	15,119	260	5,303,225	0.26%
June 30, 2015	15,138	15,111	27	5,220,099	0.29%

Notes to Schedule:

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

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

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

	Plan Year					
	2022	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY						
Service cost	\$ 964	\$ 1,253	\$ 1,284	\$ 1,003	\$ 1,020	\$ 1,095
Interest	4,334	4,606	4,464	4,713	4,729	4,758
Changes in benefit terms	-	-	282	-	-	-
Changes of assumptions	6,495	1,630	-	1,325	-	11
Difference between expected and actual experience	(814)	(5,524)	2,722	(1,603)	643	-
Benefit payments, including refunds of member contributions	(7,316)	(6,604)	(6,706)	(6,550)	(6,687)	(5,874)
Net change in total HIC OPEB liability	3,663	(4,639)	2,046	(1,112)	(295)	(10)
Total HIC OPEB liability, beginning	66,897	71,536	69,490	70,602	70,897	70,907
Total HIC OPEB liability, ending (a)	<u>\$ 70,560</u>	<u>\$ 66,897</u>	<u>\$ 71,536</u>	<u>\$ 69,490</u>	<u>\$ 70,602</u>	<u>\$ 70,897</u>
PLAN FIDUCIARY NET POSITION						
Contributions - employer	\$ 5,478	\$ 5,422	\$ 4,992	\$ 4,681	\$ 4,269	\$ 4,476
Contributions - employee	-	-	-	-	-	-
Net investment income	26	1,943	180	621	822	1,372
Benefit payments, including refunds of member contributions	(7,316)	(6,604)	(6,706)	(6,550)	(6,687)	(5,874)
Administrative expenses	(13)	(21)	(15)	(12)	(16)	(20)
Other changes	2,470	-	-	(1)	(76)	76
Net change in plan fiduciary net position	645	740	(1,549)	(1,261)	(1,688)	30
Plan fiduciary net position, beginning	9,130	8,390	9,939	11,200	12,888	12,858
Plan fiduciary net position, ending (b)	<u>\$ 9,775</u>	<u>\$ 9,130</u>	<u>\$ 8,390</u>	<u>\$ 9,939</u>	<u>\$ 11,200</u>	<u>\$ 12,888</u>
Net HIC OPEB liability, ending (a) - (b)	<u>\$ 60,785</u>	<u>\$ 57,767</u>	<u>\$ 63,146</u>	<u>\$ 59,551</u>	<u>\$ 59,402</u>	<u>\$ 58,009</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	13.85%	13.65%	11.73%	14.30%	15.86%	18.18%
Covered payroll	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624
Net HIC OPEB liability as a percentage of covered payroll	11.65%	11.19%	11.01%	11.07%	11.27%	10.50%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2023	\$ 7,326	\$ 7,326	\$ -	\$ 626,113	1.17%
June 30, 2022	5,477	5,477	-	521,656	1.05%
June 30, 2021	5,422	5,422	-	516,364	1.05%
June 30, 2020	4,992	4,992	-	573,771	0.87%
June 30, 2019	4,681	4,681	-	538,066	0.87%
June 30, 2018	4,284	4,269	(15)	526,973	0.81%
June 30, 2017	6,134	4,476	(1,658)	552,624	0.81%
June 30, 2016	4,440	4,440	-	528,531	0.84%
June 30, 2015	5,156	4,510	(646)	613,843	0.73%

Notes to Schedule:

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL HIC OPEB LIABILITY						
Employer's Proportion of the net HIC OPEB liability	0.13216%	0.13606%	0.13901%	0.14075%	0.14285%	0.14545%
Employer's proportionate share of the net						
HIC OPEB liability	\$ 1,650,740	\$ 1,746,424	\$ 1,813,409	\$ 1,842,554	\$ 1,814,000	\$ 1,845,000
Covered payroll	\$ 12,317,738	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017
Employer's proportionate share of the net HIC OPEB						
liability as a percentage of its covered payroll	13.40%	14.51%	14.88%	15.61%	15.69%	16.06%
Plan fiduciary net position as a percentage of the						
total HIC OPEB liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%
<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>	
June 30, 2023	\$ 151,920	\$ 151,920	\$ -	\$ 12,555,408	1.21%	
June 30, 2022	149,045	149,045	-	12,317,738	1.21%	
June 30, 2021	145,959	145,596	363	12,032,677	1.21%	
June 30, 2020	146,239	146,238	1	12,186,554	1.20%	
June 30, 2019	141,641	141,666	(25)	11,803,449	1.20%	
June 30, 2018	142,179	146,364	(4,185)	11,559,264	1.27%	
June 30, 2017	127,550	127,508	42	11,491,017	1.11%	
June 30, 2016	117,629	117,608	21	11,097,066	1.06%	
June 30, 2015	116,714	115,710	1,004	10,969,314	1.05%	

Notes to Schedule:

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

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

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

1. Budgets and Budgetary Accounting

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

- Between the 1st and 30th of April, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such a public hearing must appear in a local newspaper not less than ten days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted within 40 days of submission to City Council, but no later than May 31. If City Council does not adopt the proposed budget before May 31, the budget as submitted is automatically adopted.
- The City Manager is authorized to transfer budgeted amounts within funds. Expenditures over the original budget of any fund must be approved by City Council.

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

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

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

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

2. Changes of Pension and OPEB Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB) - All Plans

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

3. Changes of Assumptions

Pension

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 -Hazardous Duty/Public Safety Employees:

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

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

3. Changes of Assumptions (Continued)

Pension (Continued)

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

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

Teacher cost-sharing pool

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

Other Postemployment Benefits (OPEB) - VRS Plans

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Non-Hazardous Duty:

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

3. Changes of Assumptions (Continued)

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

Largest 10 - Hazardous Duty/Public Safety Employees:

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

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

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

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

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

(Continued)

CITY OF POQUOSON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

3. Changes of Assumptions (Continued)

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

Teacher cost-sharing pool

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

Other Postemployment Benefits (OPEB) - Local Plans

The discount rate was changed to 3.65% from 3.54% which was used in the prior valuation.

City: No other changes were noted.

Schools: No other changes were noted.

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OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
June 30, 2023

	General	Food Service	School Activity Funds	Total Schools
ASSETS				
Cash and cash equivalents	\$ 4,888,332	\$ -	\$ 326,063	\$ 5,214,395
Restricted cash and cash equivalents	-	626,370	-	626,370
Due from other governmental units	539,724	-	-	539,724
Inventory	-	16,005	-	16,005
Prepaid expense	100,000	-	-	100,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 5,528,056</u></u>	<u><u>\$ 642,375</u></u>	<u><u>\$ 326,063</u></u>	<u><u>\$ 6,496,494</u></u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,283,724	\$ -	\$ -	\$ 3,283,724
Due to primary government	1,286,694	-	-	1,286,694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,570,418</u>	<u>-</u>	<u>-</u>	<u>4,570,418</u>
FUND BALANCES				
Nonspendable	100,000	16,005	-	116,005
Restricted	73,608	626,370	326,063	1,026,041
Assigned, education	784,030	-	-	784,030
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>957,638</u>	<u>642,375</u>	<u>326,063</u>	<u>1,926,076</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 5,528,056</u></u>	<u><u>\$ 642,375</u></u>	<u><u>\$ 326,063</u></u>	<u><u>\$ 6,496,494</u></u>

(Continued)

See Independent Auditor's Report.

COMBINING BALANCE SHEET - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
June 30, 2023

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

Total fund balances - Component Unit - Schools	\$ 1,926,076
--	--------------

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.	11,229,139
--	------------

Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.

Deferred outflows of pension	3,274,561
Deferred outflows of OPEB	475,824

Accrued interest is not paid from current period revenues and, therefore, is not reported in the funds.	(1,295)
---	---------

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,899,890)
---	--------------

Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.

Deferred inflows of pension	(3,424,888)
Deferred inflows of OPEB	(411,117)

Total net position - Component Unit - Schools	<u>\$ (2,831,590)</u>
---	-----------------------

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
Year Ended June 30, 2023**

	General	Food Service	School Activity Funds	Total Schools
REVENUES				
Charges for services	\$ -	\$ 1,180,282	\$ 641,116	\$ 1,821,398
Intergovernmental:				
Commonwealth of Virginia	15,103,411	-	-	15,103,411
Federal government	2,331,851	-	-	2,331,851
Local government	10,558,791	-	-	10,558,791
Other	247,494	-	-	247,494
Total revenues	<u>28,241,547</u>	<u>1,180,282</u>	<u>641,116</u>	<u>30,062,945</u>
EXPENDITURES				
Current				
Education	27,881,865	1,345,591	691,771	29,919,227
Debt service, principal	51,090	-	-	51,090
Debt service, interest	771	-	-	771
Total expenditures	<u>27,933,726</u>	<u>1,345,591</u>	<u>691,771</u>	<u>29,971,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>307,821</u>	<u>(165,309)</u>	<u>(50,655)</u>	<u>91,857</u>
Net change in fund balance	307,821	(165,309)	(50,655)	91,857
FUND BALANCE				
Beginning of year	<u>649,817</u>	<u>807,684</u>	<u>376,718</u>	<u>1,834,219</u>
End of year	<u>\$ 957,638</u>	<u>\$ 642,375</u>	<u>\$ 326,063</u>	<u>\$ 1,926,076</u>

(Continued)

See Independent Auditor's Report.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
Year Ended June 30, 2023**

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

Net change in fund balances - total School Board funds	\$	91,857
--	----	--------

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		23,708,158
Depreciation expense		(1,536,298)

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.

(19,061,039)

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

Repayment of long-term debt		51,090
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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. These activities consist of the changes in:

Accrued interest		(1,295)
Pension liabilities and related deferred inflows and outflows of resources		2,303,255
Other postemployment benefits liabilities and related deferred inflows and outflows of resources		116,764
Compensated absences		45,141

Change in net position of governmental activities	\$	5,717,633
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BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
COMPONENT UNIT - POQUOSON CITY PUBLIC SCHOOLS
Year Ended June 30, 2023

	General Fund			Variance
	Original	Final	Actual	From Final
	Budget	Budget		Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental:				
Commonwealth of Virginia	\$ 14,609,284	\$ 16,054,181	\$ 15,103,411	\$ (950,770)
Federal government	1,005,835	2,896,004	2,331,851	(564,153)
Local government	11,079,602	11,827,869	10,558,791	(1,269,078)
Other	122,125	217,393	247,494	30,101
Total revenues	<u>26,816,846</u>	<u>30,995,447</u>	<u>28,241,547</u>	<u>(2,753,900)</u>
EXPENDITURES				
Current:				
Instruction	19,532,774	19,338,372	17,611,129	1,727,243
District-wide	1,253,173	1,304,134	1,864,516	(560,382)
Transportation	1,046,887	1,161,353	1,155,128	6,225
Operation and maintenance	2,453,085	3,211,990	3,067,965	144,025
Food service	269,450	557,871	55,432	502,439
Technology	1,440,642	1,694,049	1,536,231	157,818
Grants	820,835	3,727,678	2,743,874	983,804
Debt service, principal	-	-	51,090	(51,090)
Debt service, interest	-	-	771	(771)
Total expenditures	<u>26,816,846</u>	<u>30,995,447</u>	<u>28,086,136</u>	<u>2,909,311</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,411</u>	<u>\$ (5,663,211)</u>
Less encumbrances outstanding beginning of year				
actually expended as of end of year			(573,014)	
Add encumbrances outstanding end of year			<u>725,424</u>	
Excess of revenues over expenditures - U.S. GAAP basis			307,821	
FUND BALANCES				
Beginning of year			<u>649,817</u>	
End of year			<u>\$ 957,638</u>	

See Independent Auditor's Report.

**STATEMENT OF CASH FLOWS - COMPONENT UNIT -
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2023**

OPERATING ACTIVITIES

Received from customers and users	\$ 11,910
Payments to suppliers for goods and services	<u>(161,915)</u>
Net cash used in operating activities	(150,005)

NONCAPITAL FINANCING ACTIVITIES

Contributions from Primary Government	145,786
---------------------------------------	---------

INVESTING ACTIVITIES

Interest paid on capital debt	<u>(16,053)</u>
Net decrease in cash and cash equivalents	(20,272)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>57,271</u>
End of year	<u><u>\$ 36,999</u></u>

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

Operating loss	\$ (144,336)
Depreciation	14,331
Changes in assets and liabilities:	
Accounts payable	<u>(20,000)</u>
Net cash used in operating activities	<u><u>\$ (150,005)</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contribution to Primary Government	<u><u>\$ (354,313)</u></u>
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STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION OVERVIEW

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

CONTENTS

TABLE

FINANCIAL TRENDS

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

1 - 4

REVENUE CAPACITY

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

5 - 8

DEBT CAPACITY

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

9 - 10

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

11 - 12

OPERATING INFORMATION

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

13 - 15

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

CITY OF POQUOSON, VIRGINIA

**NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS**

Table 1

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 20,195,716	\$ 19,335,724	\$ 21,089,440	\$ 18,133,197	\$ 2,081,923	\$ 18,989,419	\$ 17,903,251	\$ 16,369,767	\$ 15,992,201	\$ 15,304,386
Restricted	1,672,679	2,118,295	1,310,631	2,489,143	20,119,972	1,873,326	1,997,619	2,502,661	1,229,189	758,646
Unrestricted	<u>13,306,803</u>	<u>9,795,571</u>	<u>4,474,393</u>	<u>3,153,096</u>	<u>2,254,527</u>	<u>944,323</u>	<u>2,027,326</u>	<u>1,902,805</u>	<u>1,404,823</u>	<u>864,818</u>
Total governmental activities	<u>\$ 35,175,198</u>	<u>\$ 31,249,590</u>	<u>\$ 26,874,464</u>	<u>\$ 23,775,436</u>	<u>\$ 24,456,422</u>	<u>\$ 21,807,068</u>	<u>\$ 21,928,196</u>	<u>\$ 20,775,233</u>	<u>\$ 18,626,213</u>	<u>\$ 16,927,850</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 5,464,333	\$ 5,342,928	\$ 5,370,778	\$ 5,454,081	\$ 5,201,957	\$ 4,865,391	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909	\$ 4,610,052
Restricted	-	34,070	-	-	-	-	-	-	-	-
Unrestricted	<u>5,493,189</u>	<u>3,879,187</u>	<u>3,446,094</u>	<u>3,258,942</u>	<u>3,134,382</u>	<u>2,863,875</u>	<u>2,565,946</u>	<u>1,869,516</u>	<u>1,408,633</u>	<u>1,307,027</u>
Total business-type activities	<u>\$ 10,957,522</u>	<u>\$ 9,256,185</u>	<u>\$ 8,816,872</u>	<u>\$ 8,713,023</u>	<u>\$ 8,336,339</u>	<u>\$ 7,729,266</u>	<u>\$ 7,177,923</u>	<u>\$ 6,623,552</u>	<u>\$ 6,200,542</u>	<u>\$ 5,917,079</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 25,660,049	\$ 24,678,652	\$ 26,460,218	\$ 23,587,278	\$ 7,283,880	\$ 23,854,810	\$ 22,515,228	\$ 21,123,803	\$ 20,784,110	\$ 19,914,438
Restricted - capital projects	-	-	-	1,422,500	18,973,986	1,080,002	1,644,469	1,995,804	942,712	488,442
Restricted - other	1,672,679	2,152,365	1,310,631	1,066,643	1,145,986	793,324	353,150	506,857	286,477	270,204
Unrestricted	<u>18,799,992</u>	<u>13,674,758</u>	<u>7,920,487</u>	<u>6,412,038</u>	<u>5,388,909</u>	<u>3,808,198</u>	<u>4,593,272</u>	<u>3,772,321</u>	<u>2,813,456</u>	<u>2,171,845</u>
Total primary government	<u>\$ 46,132,720</u>	<u>\$ 40,505,775</u>	<u>\$ 35,691,336</u>	<u>\$ 32,488,459</u>	<u>\$ 32,792,761</u>	<u>\$ 29,536,334</u>	<u>\$ 29,106,119</u>	<u>\$ 27,398,785</u>	<u>\$ 24,826,755</u>	<u>\$ 22,844,929</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

**CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS**

Table 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING EXPENSES										
Governmental activities:										
General government	\$ 7,676,967	\$ 3,106,109	\$ 12,215,070	\$ 4,959,427	\$ 3,305,464	\$ 4,152,443	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051	\$ 3,471,130
Public safety and judicial	9,848,237	8,604,872	8,591,167	7,740,807	7,119,909	7,136,755	6,811,120	6,367,432	6,572,994	6,669,898
Public works	3,752,924	3,092,069	2,151,030	1,821,762	2,081,748	2,108,673	1,454,996	672,523	1,722,753	2,066,486
Health and welfare	1,128,095	986,273	1,070,059	1,165,110	1,190,360	1,303,164	1,228,244	1,125,090	1,036,794	957,396
Education	9,513,223	11,101,660	3,010,568	12,899,682	10,534,422	10,249,813	10,089,105	10,434,221	10,126,907	9,984,015
Parks and recreation	2,161,907	1,336,154	1,608,001	1,778,533	1,762,160	1,647,715	2,113,548	1,923,884	1,738,752	1,774,597
Economic Development Authority	145,786	21,000	145,141	17,053	16,417	5,000	-	25,000	-	-
Community development	659,427	557,876	597,883	765,613	1,095,080	2,046,826	1,611,496	667,793	560,195	644,892
Interest on long-term debt	1,247,108	1,027,962	1,263,545	1,228,907	1,922,059	1,081,173	638,246	1,040,364	1,046,103	1,074,323
Total governmental activities	<u>36,133,674</u>	<u>29,833,975</u>	<u>30,652,464</u>	<u>32,376,894</u>	<u>29,027,619</u>	<u>29,731,562</u>	<u>27,719,553</u>	<u>25,926,637</u>	<u>25,459,549</u>	<u>26,642,737</u>
Business-type activities:										
Sewer	1,421,371	1,279,528	1,654,348	1,457,329	1,462,941	1,439,188	1,488,407	1,485,293	1,520,881	1,465,757
Solid waste	1,190,698	1,130,131	1,103,778	1,041,994	816,100	756,231	806,210	793,688	746,243	863,191
Total business-type activities	<u>2,612,069</u>	<u>2,409,659</u>	<u>2,758,126</u>	<u>2,499,323</u>	<u>2,279,041</u>	<u>2,195,419</u>	<u>2,294,617</u>	<u>2,278,981</u>	<u>2,267,124</u>	<u>2,328,948</u>
Total expenses	<u>38,745,743</u>	<u>32,243,634</u>	<u>33,410,590</u>	<u>34,876,217</u>	<u>31,306,660</u>	<u>31,926,981</u>	<u>30,014,170</u>	<u>28,205,618</u>	<u>27,726,673</u>	<u>28,971,685</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	752,070	752,271	589,108	258,432	256,084	179,790	1,269,889	343,486	236,877	276,781
Public safety and judicial	417,191	359,727	325,566	427,125	494,512	475,122	458,937	435,190	477,642	398,996
Education	-	-	-	-	-	-	3,655	47,520	43,914	35,343
Parks and recreation	82,321	65,835	37,028	52,895	80,480	77,252	85,445	89,096	80,871	76,741
Community development	419,247	216,953	145,608	240,495	328,058	347,472	317,701	330,949	324,945	312,043
Operating grants and contributions	1,924,542	1,703,649	3,644,428	2,284,340	1,707,679	1,752,658	1,640,741	1,633,650	1,566,976	1,622,774
Capital grants and contributions	4,253,637	874,441	878,892	928,323	1,558,876	2,059,956	645,565	837,446	507,190	599,361
Total governmental activities	<u>7,849,008</u>	<u>3,972,876</u>	<u>5,620,630</u>	<u>4,191,610</u>	<u>4,425,689</u>	<u>4,892,250</u>	<u>4,421,933</u>	<u>3,717,337</u>	<u>3,238,415</u>	<u>3,322,039</u>
Business-type activities:										
Sewer	1,799,475	1,852,819	1,890,642	1,901,917	2,145,486	2,095,278	2,188,672	2,015,026	1,865,981	1,887,501
Solid waste	1,213,526	1,197,768	1,203,857	1,141,314	886,514	846,418	819,845	801,841	796,892	863,890
Total business-type activities	<u>3,013,001</u>	<u>3,050,587</u>	<u>3,094,499</u>	<u>3,043,231</u>	<u>3,032,000</u>	<u>2,941,696</u>	<u>3,008,517</u>	<u>2,816,867</u>	<u>2,662,873</u>	<u>2,751,391</u>
Total program revenues	<u>10,862,009</u>	<u>7,023,463</u>	<u>8,715,129</u>	<u>7,234,841</u>	<u>7,457,689</u>	<u>7,833,946</u>	<u>7,430,450</u>	<u>6,534,204</u>	<u>5,901,288</u>	<u>6,073,430</u>
Total governmental activities	<u>(28,284,666)</u>	<u>(25,861,099)</u>	<u>(25,031,834)</u>	<u>(28,185,284)</u>	<u>(24,601,930)</u>	<u>(24,839,312)</u>	<u>(23,297,620)</u>	<u>(22,209,300)</u>	<u>(22,221,134)</u>	<u>(23,320,698)</u>
Total business-type activities	<u>400,932</u>	<u>640,928</u>	<u>336,373</u>	<u>543,908</u>	<u>752,959</u>	<u>746,277</u>	<u>713,900</u>	<u>537,886</u>	<u>395,749</u>	<u>422,443</u>
Total primary government	<u>(27,883,734)</u>	<u>(25,220,171)</u>	<u>(24,695,461)</u>	<u>(27,641,376)</u>	<u>(23,848,971)</u>	<u>(24,093,035)</u>	<u>(22,583,720)</u>	<u>(21,671,414)</u>	<u>(21,825,385)</u>	<u>(22,898,255)</u>

(Continued)

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

**CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS**

Table 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	\$ 26,526,866	\$ 25,983,555	\$ 23,965,689	\$ 23,549,034	\$ 23,062,109	\$ 21,616,868	\$ 20,821,895	\$ 20,570,278	\$ 20,368,202	\$ 18,827,143
Other	3,731,837	3,611,206	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760
Reimbursements from other agencies	211,413	173,571	186,967	123,570	152,346	139,561	137,731	158,675	128,897	159,612
Payments in lieu of taxes:										
Investment earnings	1,352,648	87,811	206,247	322,261	362,288	283,557	251,622	221,823	200,759	188,699
Miscellaneous	87,510	130,082	128,922	405,494	607,862	548,204	86,193	419,424	165,351	184,222
Transfers	300,000	250,000	235,000	200,000	198,147	200,000	195,833	150,000	150,000	128,000
Total governmental activities	<u>32,210,274</u>	<u>30,236,225</u>	<u>28,130,862</u>	<u>27,504,298</u>	<u>27,251,284</u>	<u>25,752,730</u>	<u>24,450,584</u>	<u>24,358,320</u>	<u>23,919,497</u>	<u>22,292,436</u>
Business-type activities:										
Investment earnings	49,760	48,279	2,476	32,776	47,686	35,208	35,973	34,964	33,357	35,470
Miscellaneous	1,550,645	106	-	-	4,575	9,280	331	160	4,357	587
Transfers	(300,000)	(250,000)	(235,000)	(200,000)	(198,147)	(200,000)	(195,833)	(150,000)	(150,000)	(128,000)
Total business-type activities	<u>1,300,405</u>	<u>(201,615)</u>	<u>(232,524)</u>	<u>(167,224)</u>	<u>(145,886)</u>	<u>(155,512)</u>	<u>(159,529)</u>	<u>(114,876)</u>	<u>(112,286)</u>	<u>(91,943)</u>
CHANGE IN NET POSITION										
Governmental activities	3,925,608	4,375,126	3,099,028	(680,986)	2,649,354	913,418	1,152,964	2,149,020	1,698,363	(1,028,262)
Business-type activities	<u>1,701,337</u>	<u>439,313</u>	<u>103,849</u>	<u>376,684</u>	<u>607,073</u>	<u>590,765</u>	<u>554,371</u>	<u>423,010</u>	<u>283,463</u>	<u>330,500</u>
Total primary government	<u>\$ 5,626,945</u>	<u>\$ 4,814,439</u>	<u>\$ 3,202,877</u>	<u>\$ (304,302)</u>	<u>\$ 3,256,427</u>	<u>\$ 1,504,183</u>	<u>\$ 1,707,335</u>	<u>\$ 2,572,030</u>	<u>\$ 1,981,826</u>	<u>\$ (697,762)</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 3

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GENERAL FUND										
Nonspendable	\$ 1,293,591	\$ 1,647,904	\$ 1,647,904	\$ 1,647,904	\$ 1,707,130	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954
Restricted	403,601	1,083,807	1,310,631	244,643	458,613	193,324	353,150	348,557	286,477	270,204
Committed	2,269,078	1,000,000	1,000,000	822,000	687,373	600,000	600,000	600,000	600,000	-
Assigned	872,028	387,078	459,114	207,690	272,967	367,729	314,114	229,475	255,862	706,877
Unassigned	10,314,262	8,637,298	7,446,695	6,279,043	5,389,522	5,343,537	4,358,819	4,388,700	4,851,141	5,009,182
Total general fund	<u>15,152,560</u>	<u>12,756,087</u>	<u>11,864,344</u>	<u>9,201,280</u>	<u>8,515,605</u>	<u>8,332,630</u>	<u>7,473,351</u>	<u>7,428,230</u>	<u>7,874,206</u>	<u>7,886,217</u>
ALL OTHER GOVERNMENTAL FUNDS										
Restricted	4,137,071	4,677,998	13,896,824	17,855,149	18,973,986	1,080,002	1,644,469	2,154,104	942,712	488,442
Assigned	<u>2,916,476</u>	<u>2,170,743</u>	<u>1,344,830</u>	<u>1,265,171</u>	<u>1,391,455</u>	<u>666,063</u>	<u>769,329</u>	<u>706,113</u>	<u>822,546</u>	<u>573,040</u>
Total all other governmental funds	<u>7,053,547</u>	<u>6,848,741</u>	<u>15,241,654</u>	<u>19,120,320</u>	<u>20,365,441</u>	<u>1,746,065</u>	<u>2,413,798</u>	<u>2,860,217</u>	<u>1,765,258</u>	<u>1,061,482</u>
Total fund balances	<u>\$ 22,206,107</u>	<u>\$ 19,604,828</u>	<u>\$ 27,105,998</u>	<u>\$ 28,321,600</u>	<u>\$28,881,046</u>	<u>\$10,078,695</u>	<u>\$ 9,887,149</u>	<u>\$10,288,447</u>	<u>\$ 9,639,464</u>	<u>\$ 8,947,699</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 4

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPERATING REVENUES										
General property taxes	\$ 24,596,839	\$ 23,792,933	\$ 22,006,911	\$ 21,594,010	\$ 20,971,058	\$ 19,764,234	\$ 18,939,996	\$ 18,605,963	\$ 18,425,590	\$ 16,959,423
Other local taxes	3,731,837	3,611,206	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760
Permits, privilege fees and regulatory licenses	305,178	404,747	305,493	106,467	115,212	119,995	157,800	150,186	168,314	89,910
Fines and forfeitures	47,593	28,173	34,142	30,661	30,474	42,695	34,665	41,742	44,898	73,024
Revenue from use of money and property	1,352,648	87,811	206,247	322,261	362,288	283,557	251,622	221,823	200,759	188,699
Charges for services	915,931	641,965	508,202	600,840	776,328	758,409	689,823	719,627	730,274	677,961
Intergovernmental	8,643,889	4,984,105	6,883,187	5,500,643	5,579,452	6,034,143	5,600,807	4,887,888	4,347,257	4,564,184
Miscellaneous	158,771	140,951	130,836	388,159	555,455	523,784	77,683	406,388	187,840	216,483
Total revenues	39,752,686	33,691,891	33,483,055	31,446,980	31,258,799	30,491,357	28,709,706	27,871,737	27,011,220	25,574,444
OPERATING EXPENSES										
Current:										
General government administration	3,075,199	2,776,688	2,924,942	2,427,124	2,422,070	2,367,377	2,197,779	2,307,455	2,142,936	2,150,397
Public safety and judicial	9,956,871	8,309,915	8,262,148	7,591,455	7,540,536	7,082,765	6,748,735	6,510,844	6,543,540	6,323,724
Public works	2,183,441	2,112,453	1,911,845	1,883,868	2,023,809	1,800,787	1,904,962	1,806,905	1,846,179	1,717,667
Health and welfare	1,131,534	992,570	1,055,408	1,160,520	1,215,397	1,308,293	1,226,563	1,127,881	1,038,823	938,191
Parks, recreation and cultural	2,077,048	1,686,054	1,519,339	1,650,414	1,705,296	1,673,714	1,617,467	1,605,290	1,616,495	1,558,028
Community development	675,155	583,908	566,822	764,987	1,127,264	2,088,168	1,616,597	686,316	588,060	643,567
Nondepartmental	335,409	258,820	677,819	205,324	145,036	119,940	138,342	114,470	113,192	125,312
Education	11,842,605	9,879,994	9,304,423	10,077,056	9,851,389	9,853,778	9,738,170	9,566,168	9,422,763	8,991,413
Economic Development Authority	145,786	21,000	145,141	17,053	16,417	5,000	-	25,000	-	-
Capital outlay	6,097,964	11,207,921	8,449,930	2,511,266	1,191,561	1,360,988	1,468,075	1,202,670	822,462	991,003
Debt service:										
Principal retirement	2,416,000	2,314,547	2,129,691	2,443,009	2,262,180	2,000,899	1,969,645	2,078,058	1,464,000	886,835
Bond issuance costs	133,594	-	264,986	-	567,951	-	-	298,907	-	-
Interest and fiscal charges	1,256,182	1,299,191	1,442,575	1,474,350	1,295,065	1,005,102	842,370	1,128,233	1,163,062	1,190,623
Total expenditures	41,326,788	41,443,061	38,655,069	32,206,426	31,363,971	30,666,811	29,468,705	28,458,197	26,761,512	25,516,760
Excess (deficiency) of revenues over expenditures	(1,574,102)	(7,751,170)	(5,172,014)	(759,446)	(105,172)	(175,454)	(758,999)	(586,460)	249,708	57,684
OTHER FINANCING SOURCES (USES)										
Transfers in	4,323,000	7,230,167	4,704,223	4,258,588	4,141,866	3,142,671	3,216,988	3,988,485	3,795,075	2,306,958
Issuance of debt, net	4,000,000	-	3,723,412	-	18,714,856	167,000	127,224	1,085,443	292,057	-
Subscription financing	48,385	-	-	-	-	-	-	-	-	-
Transfers out	(4,023,000)	(6,980,167)	(4,471,223)	(4,058,588)	(3,949,199)	(2,942,671)	(3,021,155)	(3,838,485)	(3,645,075)	(2,181,958)
Total other financing sources	4,348,385	250,000	3,956,412	200,000	18,907,523	367,000	323,057	1,235,443	442,057	125,000
Net change in fund balances	<u>\$ 2,774,283</u>	<u>\$ (7,501,170)</u>	<u>\$ (1,215,602)</u>	<u>\$ (559,446)</u>	<u>\$ 18,802,351</u>	<u>\$ 191,546</u>	<u>\$ (435,942)</u>	<u>\$ 648,983</u>	<u>\$ 691,765</u>	<u>\$ 182,684</u>
Debt service as a percentage of noncapital expenditures										
	10.16%	11.68%	11.70%	13.18%	11.81%	10.44%	9.95%	11.62%	10.46%	8.58%

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 5

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

Fiscal Year	Residential Property	Commercial/ Industrial Property	Agricultural Property	Total Taxable Assessed Value	Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2023	\$1,692,612,100	\$ 102,319,100	\$ 2,018,600	\$1,796,949,800	\$ 104,048,900	\$ 1.13	\$1,796,949,800	100%
2022	1,678,040,300	102,023,000	2,018,600	1,782,081,900	103,575,500	1.13	1,782,081,900	100%
2021	1,561,914,700	101,399,100	2,018,600	1,665,332,400	101,789,500	1.14	1,680,154,100	99%
2020	1,552,706,200	100,417,400	2,018,600	1,655,142,200	102,206,400	1.14	1,655,332,400	100%
2019	1,495,634,600	99,817,800	2,018,600	1,597,471,000	102,206,400	1.14	1,616,917,675	99%
2018	1,481,592,900	99,130,100	2,018,600	1,582,741,600	104,112,600	1.07	1,583,888,262	100%
2017	1,422,141,000	108,653,342	2,018,600	1,532,812,942	104,188,800	1.07	1,548,341,465	99%
2016	1,416,700,300	106,316,055	2,018,600	1,525,034,955	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%

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

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 6

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

Fiscal Year	Net Taxes Levied for Fiscal Year Original Levy	Subsequent Year Adjustments	Total Adjusted Net Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collected to Date	
				Amount	Percent of Original Levy		Amount	Percent of Original Levy
2023	\$ 20,252,698	\$ -	\$ 20,252,698	\$ 20,058,587	99.04%	\$ -	\$ 20,058,587	99.04%
2022	20,097,322	(14,161)	20,083,161	19,843,679	98.81%	147,079	19,990,758	99.54%
2021	18,928,792	(8,662)	18,920,130	18,683,713	98.75%	189,090	18,872,803	99.75%
2020	18,845,990	(19,310)	18,826,680	18,634,394	98.98%	167,337	18,801,731	99.87%
2019	18,201,313	(11,666)	18,189,647	18,018,710	99.06%	155,542	18,174,252	99.92%
2018	16,950,876	(12,602)	16,938,274	16,857,244	99.52%	69,680	16,926,924	99.93%
2017	16,283,816	15,705	16,299,521	16,136,972	99.00%	151,538	16,288,510	99.93%
2016	16,111,062	12,802	16,123,864	15,942,338	98.87%	172,764	16,115,102	99.95%
2015	16,039,914	942	16,040,856	15,875,158	98.97%	156,752	16,031,910	99.94%
2014	14,492,059	(2,924)	14,489,135	14,338,022	98.96%	144,788	14,482,810	99.96%

Source: City of Poquoson Treasurer's Department

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 7

PRINCIPAL TAXPAYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS PRIOR

Taxpayer	Type of Business	Fiscal Year 2023		Fiscal Year 2014	
		Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment	Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 10,233,800	0.57%	\$ 9,155,600	0.61%
City of Newport News	Public Service	7,879,000	0.44%	-	-
Poquoson Shopping Center, L.L.C.	Shopping Center	7,418,000	0.41%	4,532,700	0.30%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,350,300	0.41%	6,415,500	0.42%
GPH Poquoson L.L.C.	Nursing Home	5,974,800	0.33%	3,641,600	0.24%
CH Realty 1X-Legacy MHC Norfolk	Mobile Home Park	5,510,500	0.31%	-	-
SNH CHS Properties Trust	Nursing Home	5,038,000	0.28%	2,321,600	0.15%
Islander Associates	Apartment Rentals	4,512,300	0.25%	3,444,200	0.23%
SGC Wythe Creek, L.L.C.	Shopping Center	4,414,400	0.25%	4,089,300	0.27%
Universal of Poquoson	Mobile Home Park	3,831,900	0.21%	3,372,000	0.22%
Whitehouse Cove, L.L.C.	Marina / Mobile Home Park	-	-	6,065,300	0.40%
Hunt Properties of Poquoson, Inc.	Storage Facilities	-	-	2,698,500	0.18%
		<u>\$ 62,163,000</u>	<u>3.46%</u>	<u>\$ 45,736,300</u>	<u>3.02%</u>

Source: Commissioner of the Revenue and City Assessor

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 8

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL ASSESSED VALUE OF TAXED REAL PROPERTY										
General	\$ 1,796,949,800	\$ 1,782,081,900	\$ 1,728,246,736	\$ 1,665,332,400	\$ 1,583,909,200	\$ 1,709,224,591	\$ 1,619,068,342	\$ 1,504,974,300	\$ 1,500,055,080	\$ 1,493,024,330
Public service corporations	20,951,561	11,544,350	21,361,594	21,926,700	22,895,188	22,620,001	22,397,342	20,060,055	18,657,291	19,993,917
	<u>\$ 1,817,901,361</u>	<u>\$ 1,793,626,250</u>	<u>\$ 1,749,608,330</u>	<u>\$ 1,687,259,100</u>	<u>\$ 1,606,804,388</u>	<u>\$ 1,731,844,592</u>	<u>\$ 1,641,465,684</u>	<u>\$ 1,525,034,355</u>	<u>\$ 1,518,712,371</u>	<u>\$ 1,513,018,247</u>
DEBT LIMIT (10% of total assessed value)	<u>\$ 181,790,136</u>	<u>\$ 179,362,625</u>	<u>\$ 174,960,833</u>	<u>\$ 168,725,910</u>	<u>\$ 160,680,439</u>	<u>\$ 173,184,459</u>	<u>\$ 164,146,568</u>	<u>\$ 152,503,436</u>	<u>\$ 151,871,237</u>	<u>\$ 151,301,825</u>
DEBT APPLICABLE TO DEBT LIMIT										
General obligation bonds, other than those authorized for a specific revenue producing project	\$ 36,525,000	\$ 34,941,000	\$ 37,220,997	\$ 35,532,586	\$ 37,882,586	\$ 21,734,586	\$ 23,419,586	\$ 25,104,587	\$ 27,174,645	\$ 28,096,588
Financed purchase obligation	612	29,102	92,138	192,275	280,592	228,325	-	-	-	-
Subscription liability	48,385	-	-	-	-	-	-	-	-	-
Sewer general obligation bonds	3,306,000	3,942,000	4,548,000	4,935,000	5,450,002	5,940,002	6,410,000	6,855,000	7,220,000	8,000,000
State literary fund loans	-	-	-	-	-	250,000	500,000	750,000	1,000,000	1,250,000
	<u>39,879,997</u>	<u>38,912,102</u>	<u>41,861,135</u>	<u>40,659,861</u>	<u>43,613,180</u>	<u>28,152,913</u>	<u>30,329,586</u>	<u>32,709,587</u>	<u>35,394,645</u>	<u>37,346,588</u>
MARGIN FOR ADDITIONAL BORROWING	<u>\$ 141,910,139</u>	<u>\$ 140,450,523</u>	<u>\$ 133,099,698</u>	<u>\$ 128,066,049</u>	<u>\$ 117,067,259</u>	<u>\$ 145,031,546</u>	<u>\$ 133,816,982</u>	<u>\$ 119,793,849</u>	<u>\$ 116,476,592</u>	<u>\$ 113,955,237</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>21.94%</u>	<u>21.69%</u>	<u>23.93%</u>	<u>24.10%</u>	<u>27.14%</u>	<u>16.26%</u>	<u>18.48%</u>	<u>21.45%</u>	<u>23.31%</u>	<u>24.68%</u>

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 9

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

Fiscal Year	Governmental Activities				Business- Type Activities	Total Primary Government	Median Household Income (1)	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Term Loans Payable	Leases	Subscriptions	Sewer Bonds				
2023	\$ 36,525,000	\$ -	\$ 612	\$ 48,385	\$ 3,306,000	\$ 39,879,997	N/A	N/A	N/A
2022	34,941,000	-	29,102	-	3,942,000	38,912,102	N/A	N/A	N/A
2021	37,220,997	-	92,138	-	4,548,000	41,861,135	\$ 100,763	N/A	\$ 3,329
2020	35,532,586	-	192,275	-	4,935,000	40,659,861	100,696	N/A	3,262
2019	41,625,365	-	280,592	-	5,819,009	47,724,966	97,118	N/A	3,850
2018	25,292,387	250,000	228,325	-	6,359,159	32,129,871	96,831	N/A	2,608
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

Source: (1) United States Census Bureau

N/A - This information is not available.

See Independent Auditor's Report.

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

Fiscal Year	Population (1)	Assessed Value	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2023	12,582	\$ 1,796,949,800	\$ 36,525,000	2.03%	\$ 2,903
2022	12,574	1,782,081,900	34,941,000	1.96%	2,779
2021	12,466	1,665,332,400	37,220,997	2.24%	2,986
2020	12,395	1,655,142,200	35,532,586	2.15%	2,867
2019	12,320	1,597,471,000	41,625,365	2.61%	3,379
2018	12,311	1,582,741,600	25,292,387	1.60%	2,054
2017	12,287	1,532,812,942	27,282,853	1.78%	2,220
2016	12,359	1,525,034,955	29,273,324	1.92%	2,369
2015	12,212	1,518,712,371	28,786,818	1.90%	2,357
2014	12,076	1,513,018,247	29,843,650	1.97%	2,471

Source: (1) Weldon Cooper Center for Public Service

(2) Only debt to be repaid with general government resources is included, therefore, this table does not include Enterprise general obligation debt, which are retired through revenues of the related operations.

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

DEMOGRAPHIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate % (4)
2023	12,582	N/A	N/A	2,096	2.5%
2022	12,574	N/A	N/A	2,076	2.4%
2021	12,475	N/A	\$ 66,561	2,077	3.3%
2020	12,373	N/A	62,645	2,118	6.0%
2019	12,395	\$ 4,938	59,892	2,119	2.5%
2018	12,320	4,731	58,119	2,122	2.7%
2017	12,311	4,529	56,729	2,106	3.5%
2016	12,287	4,334	55,344	2,059	3.5%
2015	12,359	4,367	54,592	2,108	4.1%
2014	12,212	4,205	53,646	2,095	4.7%

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

N/A - This information is not available.

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

Employer	Fiscal Year 2023		Fiscal Year 2014	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	272	15.18%	282	17.66%
City of Poquoson	168	9.38%	149	9.33%
Food Lion	92	5.13%	57	3.57%
Surf Rider	53	2.96%	60	3.76%
Schooners	47	2.62%	N/A	N/A
Golden Living Center/Bayside	45	2.51%	55	3.44%
Dominion Village at Poquoson	40	2.23%	45	2.82%
McDonald's Restaurant	31	1.73%	34	2.13%
Poquoson Veterinary Hospital	27	1.51%	20	1.25%
Farm Fresh	25	1.40%	74	4.63%
Wendy's Restaurant	23	1.28%	20	1.25%
Taylor's Do It Center	17	0.95%	14	0.88%
Stephen's Office Supply	N/A	N/A	19	1.19%
Mares Exterminating	N/A	N/A	13	0.81%
	840	46.88%	842	52.72%

Source: City of Poquoson Economic Development Department

N/A - This information is not available.

CITY OF POQUOSON, VIRGINIA

Table 13

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GENERAL GOVERNMENT										
Management services	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20
Finance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Planning	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Building	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Other	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10
POLICE										
Officers	30.00	28.00	28.00	28.50	28.50	26.50	25.50	24.50	23.50	23.50
Civilians	2.00	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.00	1.00
FIRE										
Firefighters and officers	32.00	32.00	32.00	32.00	32.00	32.00	32.00	30.00	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	18.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.10
Engineering	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Other	3.75	3.75	3.75	3.75	3.00	2.00	2.00	2.00	2.00	2.00
FLEET	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
PARKS AND RECREATION	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80
LIBRARY	12.45	12.45	12.45	12.45	12.45	12.45	12.45	11.95	11.95	11.95
UTILITIES	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
Totals	<u>152.05</u>	<u>149.05</u>	<u>149.05</u>	<u>149.30</u>	<u>148.30</u>	<u>145.30</u>	<u>144.30</u>	<u>139.80</u>	<u>136.30</u>	<u>135.90</u>

Source: Finance Department

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 14

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PUBLIC SAFETY										
Police department (1):										
Physical arrests	194	195	218	172	293	263	270	259	225	255
Parking violations	2	37	42	7	16	6	2	8	9	18
Traffic violations	844	679	644	586	660	841	824	714	728	982
Fire and rescue (2):										
Emergency responses	2,752	2,167	2,644	2,293	2,000	2,331	974	1,991	2,228	1,883
Fires extinguished	25	42	34	23	23	31	24	25	36	14
Inspections	40	81	107	65	113	155	108	182	237	209
REFUSE COLLECTION (3)										
Refuse collected (tons)	3,042	3,339	3,194	4,810	4,364	4,421	3,120	2,491	2,338	3,597
Recyclables collected (tons)	968	906	932	826	1,084	1,732	2,207	1,102	1,227	1,161
OTHER PUBLIC WORKS (3)										
Street resurfacing (tons)	6,666	4,781	8,998	1,632	3,600	2,736	3,317	3,461	1,764	0
LIBRARY (4)										
Volumes in collection	65,116	63,864	63,650	64,019	64,117	64,521	66,390	66,922	64,135	62,048
Total volumes borrowed	135,899	129,730	139,098	131,293	160,257	167,759	146,204	185,361	199,695	207,338
WASTEWATER (5)										
Sewer connections	5,291	5,148	5,087	5,060	5,027	5,029	5,004	4,943	4,910	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

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

Table 15

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PUBLIC SAFETY										
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	32	32	33	33	33	29	29	27	27	25
Fire stations (2):	2	2	2	2	2	2	2	2	2	2
REFUSE COLLECTION (3)										
Collection trucks	5	5	6	6	4	4	4	4	4	4
OTHER PUBLIC WORKS (3)										
Street (miles)	55.24	55.24	55.24	55.18	55.18	54.90	56.70	54.60	55.30	55.10
Streetlights	681	598	589	589	589	577	577	577	580	575
Traffic signals	4	4	4	4	4	4	4	4	4	4
PARKS AND RECREATION (4)										
Acreage	70	70	63	63	63	63	63	63	63	63
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball / softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer / football fields	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2	2
WASTEWATER (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	65	65	65	65
Storm sewers (miles)	49.71 *	49.71 *	49.71 *	34.24*	34.24*	34.24*	34.24*	34.24*	34.24*	34.24*
SCHOOLS (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	22	24	22	23	23	22	22	22	21	21

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

Source: (1) City of Poquoson Police Department
(2) City of Poquoson Fire Department
(3) City of Poquoson Public Works Department
(4) City of Poquoson Parks and Recreation Department
(5) City of Poquoson Utilities Department
(6) Poquoson City Public Schools

See Independent Auditor's Report.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Poquoson, Virginia's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 7, 2023

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
COMPONENT UNIT - SCHOOL BOARD**

June 30, 2023

Federal Granting Agency / Recipient State Agency Grant Program	Pass-through Entity Identifying Number	Assistance Listing Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Pass through payments:				
Child Nutrition Cluster:				
Virginia Department of Agriculture and Consumer Services:				
Food Commodities	Not Available	10.555		\$ 77,299
Virginia Department of Education:				
Summer Food Service Program for Children	Not Available	10.559		3,611
National School Breakfast Program	Not Available	10.553		67,330
National School Lunch Program	Not Available	10.555		304,672
Total Child Nutrition Cluster:				452,912
Total U.S. Department of Agriculture				452,912
U.S. Department of Defense				
VTSS - Tiered Systems of Support	N/A	12.558		241,551
Total U.S. Department of Defense				241,551
Center for Disease Control and Prevention				
Pass through payments:				
Virginia Department of Health:				
Epidemiology and Laboratory Capacity for Infectious Diseases	Not Available	93.323		6,026
Total Centers for Disease Control and Prevention				6,026
U.S. Department of Transportation				
Pass through payments:				
Virginia Department of Motor Vehicles:				
Alcohol Traffic Safety and Drunk Driving:				
Selective Enforcement - Occupant Protection	FOP-2022-52286-22286	20.600		1,288
Prevention Incentive - Alcohol	FM6OT-2022-52289-22289	20.616		1,038
Selective Enforcement - Speed				
Prevention Incentive - Speed	BSC-2023-53193-23193	20.600		3,697
Total Highway Safety Cluster				6,023
Total U.S. Department of Transportation				6,023
U.S. Environmental Protection Agency				
Pass through payments:				
Virginia Department of Environmental Quality				
Chesapeake Bay Implementation Grant (CBIG)	17306	66.466		9,776
Total U.S. Environmental Protection Agency				9,776
U.S. Department of the Treasury				
Plum Tree Island Refuge (Fish and Wildlife Cluster)	N/A	15.611		2,605
American Rescue Plan Act (ARPA) Fiscal Recovery Fund	N/A	21.027	\$ 124,786	3,416,855
Pass through payments:				
Virginia Tourism Corporation:				
ARPA Tourism Recovery Plan	Not Available	21.027		8,543
Subtotal American Rescue Plan Recovery Fund CA			124,786	3,425,398 ¹
Total U.S. Department of the Treasury			124,786	3,428,003

(Continued)

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
COMPONENT UNIT - SCHOOL BOARD**

June 30, 2023

Federal Granting Agency / Recipient State Agency Grant Program	Pass-through Entity Identifying Number	Assistance Listing Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Direct Payments:				
Impact Aid	N/A	84.041		\$ 235,784
Pass through payments:				
Virginia Department of Education:				
Coronavirus State & Local Fiscal Recovery Funds	SLFRP1026	21.027		633,645 ¹
Education Stabilization Fund	S425D200008/S425U210008	84.425D		44,275
Elementary and Secondary School Emergency Relief III Formula Fund	S425U210008	84.425U		<u>179,761</u>
Total Education Stabilization Fund				224,036
Title I: Grants to local educational agencies	S010A210046	84.010		79,406
Title II: Improving teacher quality state grants	S367A220044	84.367		28,540
Title IV: Student Support and Academic Enrichment Program	S424A210048	84.424		1,408
Special Education (IDEA) Cluster:				
Title VI-B: Assistance to States for Education of Handicapped Children:				
Special Education Grants	H027A210107/H027A220107	84.027		483,947
Preschool handicapped	H173A210112/H173A220112	84.173		15,022
ARP Preschool Subgrant Awards	H173X210112	84.173X		<u>2,254</u>
Total IDEA Cluster:				<u>501,223</u>
Vocational Education-Basic Grants to States	V048A210046/V048A220046	84.048		<u>5,328</u>
Total U.S. Department of Education				<u>1,709,370</u>
U.S. Department of Justice				
Direct Payment:				
Office of Justice Programs:				
State Criminal Alien Assistance Program	N/A	16.606		<u>474</u>
Pass-through programs:				
Virginia Department of Criminal Justice:				
Byrne Justice Assistance Grant Local Law Enforcement Block (LOLE) FFY21	15PBJA-21-GG-00258-MUMU	16.738		2,758
Byrne Justice Assistance Grant Local Law Enforcement Block (LOLE) FFY22	15PBJA-22-GG-00616-MUMU	16.738		<u>2,520</u>
Subtotal Byrne Justice Assistance Grant Local Law Enforcement Block (LOLE)				5,278
Total U.S. Department of Justice				<u>5,752</u>
U.S. Department of Homeland Security				
Pass-through payments:				
Virginia Department of Emergency Management: 2022 Local Emergency Management Performance Grant	Not Available	97.042		<u>7,500</u>
Total U.S. Department of Homeland Security				<u>7,500</u>
			<u>\$ 124,786</u>	<u>\$ 5,866,913</u>

¹Total of 21.027 \$ 4,059,043

See Independent Auditor's Report.

CITY OF POQUOSON, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The City's reporting entity is defined in Note 1 to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the food service organization had food commodities totaling \$16,005 in inventory.

3. Relationship to the Financial Statements

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

General Fund	\$ 40,199
Special Revenue Fund	3,416,855
Schools	2,332,560
Donated commodities	<u>77,299</u>
Total federal awards reported in the basic financial statements	<u>\$ 5,866,913</u>

4. Subrecipients

ARPA (American Rescue Plan Act) Fiscal Recovery Funds were passed through to a subrecipient by the City.

5. Indirect Cost Rate

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the City of Poquoson, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 7, 2023

CITY OF POQUOSON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2023

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

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

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF POQUOSON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program</u>	<u>Assistance Listing Number</u>
ARPA (American Rescue Plan Act) Fiscal Recovery Fund	21.027

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

B. FINDINGS - FINANCIAL STATEMENTS

None noted.

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

None noted.

D. FINDINGS - COMMONWEALTH OF VIRGINIA

None noted.

E. PRIOR YEAR FINDINGS

None noted.

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